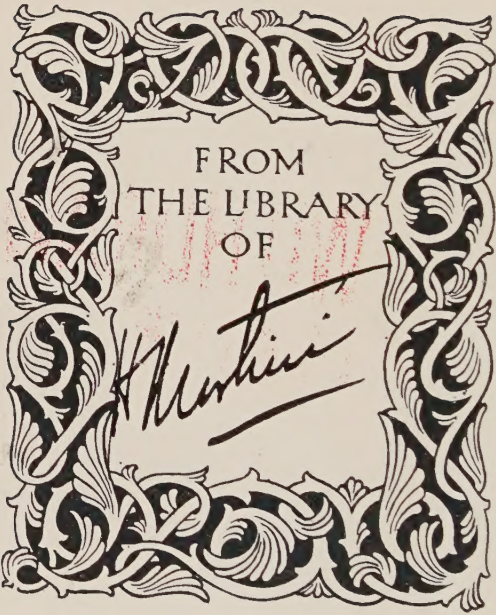


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Hart, Schaffner and Marx Prize Essays

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XXXV

A THEORY OF CONSUMPTION



# A THEORY OF CONSUMPTION

BY

HAZEL KYRK, PH.D.



BOSTON AND NEW YORK  
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## PREFACE

THIS series of books owes its existence to the generosity of Messrs. Hart, Schaffner & Marx, of Chicago, who have shown a special interest in trying to draw the attention of American youth to the study of economic and commercial subjects. For this purpose they have delegated to the undersigned committee the task of selecting or approving of topics, making announcements, and awarding prizes annually for those who wish to compete.

For the year 1921 there were offered:

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Any essay submitted in Class B, if deemed of sufficient merit, could receive a prize in Class A.

The present volume, submitted in Class A, was awarded the first prize.

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*Washington, D.C.*

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*Columbia University*





## PREFACE

THIS book undertakes to present just what its title says — *a theory of consumption*. The discussion found in it should be regarded as tentative rather than final, and as fragmentary rather than comprehensive. It is not expected that the reader will find here an analysis that is completely satisfying, merely one that may be suggestive.

There are two reasons, at least, why this is inevitably true. The subject is one, it is believed, that to an unusual degree widens as the investigation proceeds. At any rate, the time and labor that have been spent in formulating this theory of consumption have continually opened up new lines of thought and suggested new questions. I brought my study to an end with more unexplored territory in sight than I was aware of in the beginning. But there is a reason, other than the breadth of the subject, why the present discussion can be only tentative and groping. A study of consumption is in the main a study of human behavior. Students of any phase of this subject to-day find that much of the discussion available is superficial, that methods of procedure are in doubt, and that knowledge is uncertain. It is to be expected that, as research in this field goes on, as principles are established, and as terminology is made definite, the old interpretations of human conduct must be recast and new ones formulated.

There will be found in this book no list of works consulted by the author or of general books upon the same subject. The omission is deliberate and significant. It indicates what the student of consumption may expect to find in the way of resources ready at hand for his assistance. So little has been written on the general topic that one could scarcely make a list of half a dozen titles without including works

more properly catalogued under other headings. If a list should be made of all the books consulted in the preparation of this essay, it would be of a character so heterogeneous as to astonish the reader, and, if he referred to the works himself, he might be unable to discover in what way they had contributed to the discussion. The investigator in this field, it is believed, must seek for light wherever his own ingenuity can suggest a source.

In spite of what has just been said, my debt to the writings of others is as deep as if the whole of my study were a compilation from documentary material. This obligation I desire to acknowledge fully, but I find it difficult to give proper credit to all those to whom credit is due. The attempt has been made to give full credit in the footnotes for all direct uses of the words or ideas of others. Yet I am aware that I gleaned far and wide in the construction of my thesis and that the acknowledgment of the aid received is often inadequate. In some cases it is difficult to make adequate acknowledgment because the thought has been wrenched from its context, and perhaps given an application far from its author's mind. It scarcely seemed fair to cite him as the responsible authority in such a case. In other cases a whole work has influenced the thought and shaped the treatment of a theme, but in spite of that fact it cannot be cited as the source of any particular paragraph or sentence.

Although it is difficult for me to record properly my indebtedness to the writings of others, it is not so in the case of the persons who have been of assistance. My obligation here is clear and definite. I was so fortunate as to have my original manuscript read by Professor James Alfred Field of the University of Chicago, and, after its inclusion in revised form in the Hart, Schaffner and Marx series, to have it prepared for the press under the editorial supervision of Professor James Maurice Clark of the same institution. My interest in the subject of standards of consumption was

first aroused when a student of the former, and his lectures were the nucleus of my later thinking. I am deeply indebted to both for many valuable suggestions concerning form and diction.

I wish also to express my gratitude to my friend Miss Leona Margaret Powell, now of the Bureau of Industrial Relations of the United Typothetæ of America, for her constant and intelligent interest in the development of my study. From the beginning she has given her time and thought to the discussion of its problems, and has supplied a reasoned encouragement that was extremely helpful. Miss Powell and Miss Phyllis Moulton have also read the proofs of this entire work.

HAZEL KYRK

April, 1923.





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# A THEORY OF CONSUMPTION





# A THEORY OF CONSUMPTION

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## CHAPTER I

### THE NATURE AND SCOPE OF A STUDY OF CONSUMPTION

WHAT is to be understood by the words which are so often on our lips, "consumer" and "consumption"? What activities and what problems are suggested thereby? How can we differentiate the group we call "consumers" from other classes of the economic order, and the phase of human behavior which we call "consumption" from other activities of the economic process? These questions are not raised merely in an attempt to secure precision in formal definition. A brief consideration of the meaning of these concepts will, it is believed, have another value. It will project, and, at the same time, delimit the course of the future discussion; it will establish its metes and bounds, and indicate its possible breadth and scope.

Who, then, is the consumer and what is his status and function in the economic order? In the first place, it is obvious there is no separate class we may call consumers; they do not constitute a group who can be differentiated and isolated from their fellows. For consumers are all of us; consumers are simply the general public. In consumers we are dealing with a group which does not close its ranks short of the whole community.

Yet this all-embracing group, the general consuming public, is for many practical purposes a most elusive and kaleidoscopic body. The daily and weekly press is always urging this body to assert itself, some one is always saying that it really ought to organize and take action upon this matter

or upon that. Such appeals are futile in the majority of cases. Every one is a consumer, but each individual has a most disconcerting way of suddenly ceasing to function in that rôle and appearing in another with exactly contrary interests and problems. Try to lay your hands upon the general public and it has disappeared or is non-existent. The consumer from being every one seems to be no one. Economically speaking, we all of us lead double lives.

The fact that there is no consuming class or group which can be isolated or organized, and set over against another class, need not, however, make our concept of the consumer any less clear-cut and well defined. The interests of individuals as consumers are definite, distinct realities, which may be differentiated from the interests of individuals in their other capacities. It is this common interest which identifies the consumer; it is the pursuit and realization of these common interests which mark groups of consumers. The word consumer, in short, is to be understood as an elliptical expression for individuals as consumers. Understood in this way, there should be no doubt about the meaning of the expression; nor need it lack definiteness or reality.

Nothing is clearer, however, than that the term "consumer" like many others suggests quite different things to different people. The popular mind, for example, by frequent association has come to identify the consumer as the person with a grievance. He is one who suffers long and is patient. In current literature he usually plays the part of victim with a producer of one kind or another, preferably a monopolist, as villain. Editors, magazine writers, and politicians work out plans for his rescue and future protection. During the war there was an interim in which the consumer appeared in a new rôle. He became the hero whose frugality and thrift would win the war. He was taught the philosophy of the clean plate and the empty garbage pail; he was urged to use corn meal and barley flour, and to forego

sweets and motoring. Then the nation called him powerful, and either besought him to use his power wisely or, distrusting him, tied his hands. After the armistice was signed, however, all this seemed to be forgotten. Again he appeared in the daily cartoons as a meek and humble individual, cowering before the profiteer and the high cost of living.

The popular interpretation of the consumer's place in the industrial order seems clear. In normal peace times his interests are sadly neglected. Then the question is, Why does the industrial order serve the consumer so ill? But there are times — war times, for example — when the situation is reversed: from being the man with a grievance he becomes the man with power. The question becomes, What is the consumer doing with national resources and labor power? What use is he making of them? Are social welfare and the national interests being served thereby? Concern for the consumer's welfare changes to fear of a misuse of his power.

Students of economics too have their quite definite but quite different associations with the words "consumer" and "consumption." It is surprising to note how varied are their ideas of what a study of consumption involves. To one, a specialist in "theory," a study of the consumer and the consuming process means a study in the familiar field of price theory; to another, interested primarily in commercial organization, it means a study of demand, of the market from the standpoint of the business man, the salesman, or the advertiser; to still another, interested in how the other half lives, it is a study of household budgets, of the proportion of the income absorbed by various expenditures, for the purpose of estimating the adequacy of the income to maintain efficiency or to provide a tolerable life. How different would be the theories of consumption constructed to meet these different points of view is evident to any one familiar with the contrasts between books on price

theory, those on advertising and salesmanship, and those upon workingmen's budgets or standards of living.

To one who undertakes the study of consumption this variety of opinion as to what it involves is both alarming and encouraging. On the one hand there is the difficulty that one cannot be all things to all men. Will not the product be certain to disappoint some who wish to connect it directly with their own special field of investigation? On the other hand the situation is encouraging. Does not the difference in emphasis indicate the many routes by which one can enter the field to be explored, the many lines of interest which center here, the breadth and scope of the problem? For, it must be understood, the present study is not conceived as a problem in price theory, nor as a problem in commercial organization, nor is it conceived as a study of household budgets to show how a certain class or community lives. Rather it should be regarded as an attempt to analyze an important set of human activities, and to comprehend the way in which they are carried on. The analysis of these activities will have its ramifications into many fields of familiar economic interest, but it is undertaken not because of primary interest in these fields but because of a direct and independent interest in the consuming process itself as an important phase of human behavior, an understanding of which is essential to meet some of the most fundamental economic problems.

What, then, is this process of consumption? What are these activities carried on by individuals as consumers, which have such great economic significance? The word "consumption" when made a matter of formal definition is usually taken to signify "the use of goods in the satisfaction of human wants," "the use of a thing or employing of it for the purpose of enjoyment," "the wealth-using as opposed to the wealth-getting activities of man."<sup>1</sup> But when

<sup>1</sup> Ely says, "When used without qualification, the word 'consumption' in economics is commonly taken to refer to the use of goods to satisfy wants

we think of individuals in their rôle as consumers, and of the activities represented by consumption, it is not merely of the process of utilization that we think. "The word consumption as used both commonly and in the economic sciences covers two perfectly distinct things, the expenditure of money and the use of wealth."<sup>1</sup> If consumers were merely users of goods, theirs would be a passive rôle indeed in the economic order. From this standpoint, the "laws of consumption" would be, as Mill said, merely the "laws of utilization," or "of enjoyment." A study of these laws would be a study of digestion and bodily structure, for example, rather than of valuation and industrial structure.

But, as a matter of fact, there is more involved in being a consumer than the passive rôle just described. The term carries with it the thought of activities and interests which manifest themselves in wants, and in choices on the market. It is this aspect of consumption which brings it into close and vital contact with the producing mechanism and the producing forces; it is this which makes individuals, as consumers, significant factors in industrial affairs. It is in the capacity of "chooser" rather than as "user" of goods that the economist, interested in the control of economic activities, becomes interested in the consumer. In that capacity he appears as an active force, with needs and purposes which he attempts to realize through the organized economic processes.

There is no intention to draw an artificial and arbitrary line between two such closely related processes as choosing and using. The side of life which we call "consumption" has several aspects; it involves several inter-related pro-

directly." (*Outlines of Economics*, p. 106.) Seager defines consumption as the destruction of utilities incidental to the satisfaction of wants. "Productive consumption," he says, "is really production." (*Introduction to Economics*, p. 51.) However subdivided, into productive and unproductive, into consumption for acquisition and consumption for enjoyment, consumption is made to mean simply the utilization of commodities.

<sup>1</sup> William Smart: *Second Thoughts of an Economist*, p. 124.



cesses as does that side of life which we call production. Choice is always with reference to use, while using is merely the final step which choosing began. Yet the present economic arrangements have done much to differentiate and separate them. By the separation of producer and consumer, and the introduction of pecuniary valuation, the expression of consumers' choices becomes a matter of expenditure upon a market, a process with a technique all its own which the consumer must master. It might almost be said that the individual, as consumer, has three separate problems: choice or budget making, marketing or buying, and the using of the concrete commodities. Each problem has its peculiar aspects and difficulties.

The term "consumption" comprehends in truth a large and varied number of activities and interests. The individual in his twenty-four hours a day and fifty-two weeks a year carries on a multitude of activities and realizes a variety of interests. Certain of these, characterized in a way into which we need not now inquire, are called by the economist production; others are called consumption. Just as the moralist stands ready to pass judgment upon any activity, and recognizes no area exempt from his jurisdiction, so the economist scrutinizes the whole life process, and whatever is affected with an economic interest becomes to him one of the two complementary processes, production or consumption. Thus production and consumption cover modes of activity which fall little short of being as broad and comprehensive as the whole process we call living.

The study of consumption is not the study of a narrow circumscribed field, but of almost all the desires and purposes which move men to action. On the objective side, the interests represented in consumption show themselves in concrete modes of living. This side of consumption lends itself to description and to statistical treatment. It may be visualized in terms of housing, food, clothing, education, health, recreation, etc. But always behind these objective



ways of living are the individuals whose tendencies, interests, and needs have taken these concrete forms. It is here that the attention will be centered in this inquiry, in this complex of native impulses and acquired interests, which are expressed to-day in choices upon a market.

When one thinks of the consumer as the "chooser" as well as the "user" of goods, and comprehends, however vaguely, the variety of interests and activities involved in the consuming process, it becomes evident that the study of consumption is a part of several larger problems. There are three problems of human behavior and institutions which lead directly to the study of consumption: (1) the problem of the control and guidance of economic activity; (2) the problem of choice — of values and of valuation; and (3) the problem of human welfare as a function of wealth. No one of these three problems can, it is believed, be adequately treated without formulating some kind of a theory of consumption.

The study of consumption is, it has been said, a part of a larger problem, the control and guidance of economic activity. To understand this larger problem, why it arises, its pressing importance, its rank among the two or three major problems of the economic process, is to comprehend the why and wherefore of a study of consumption. It cannot be said that the importance of the problem of control has always been recognized by students of economics. The early economists fixed their attention primarily upon other angles of the economic problem. They either ignored the devices by which organization and control were effected, or assumed them as a part of a "natural" economic order. But whatever may be the explanation or the justification for the early lack of attention to the problem of the control and guidance of economic activity, a shift in social problems, a growing demand to know what all this industrial turmoil comes to, who sets it in motion, who directs it, and what are the purposes behind it, makes it now of prime

importance. No metaphysics can longer obscure the institutions which organize economic forces, and no tradition can withstand the conviction, which the development of social philosophy has established, that these exist only because they are ways of fulfilling social purposes, that in other times other devices have performed the same function, and that there are possible experiments as yet untried.

New questions in regard to human welfare, and its relation to industrial organization, are now coming up, and there is pressure upon economic theory to show in all respects how the present order works, for good or for ill. It is no longer felt that the sole question to be raised in regard to the operation of the economic order is how much wealth it can turn out. Another question is, What are the costs? and still another, Are the results worth the effort? But what are the results? Who fixes the ends and purposes toward which effort is directed, and how is the organization for the purpose effected? What determines the ends and purposes our elaborate productive mechanism is made to serve? How is the machinery set in motion and directed toward this purpose or that? Has society any means for setting up desirable ends to be attained, and can it realize them through the forces which control production?

Once the general problem of the control and guidance of industrial activity is clearly seen, the importance of an inquiry into the part which the individual as consumer plays will, it is believed, become evident. What is the place of the consumer in the industrial scheme? What scope in the guidance of economic activity is allowed to him for whom, nominally, it exists? Through what agencies can he make his interests felt? And, finally, of primary interest from the standpoint of social welfare, what is the nature of the consumer's interests and purposes which he attempts to realize through the productive process? How are consumers' purposes and desires guided and formed? According to what standards of living do consumers exercise their con-

trol, and turn to this use or that, the productive resources of society? In other words, an analysis of the consuming process as it is at present carried on is a necessary part of the study of economic guidance. The consumer's place in the present economic organization is such that the general question of control and guidance cannot be answered without some exploration of this neglected field. As one of the "responsible agents," as a director of social energy, the consumer comes into his own as a proper subject for economic inquiry. Questions concerning the direction and outcome of industrial activity cannot be answered without some analysis of the principles which govern that group of human activities which are called consumption.<sup>1</sup>

The study of consumption leads inevitably to a second problem, the problem of choice and of valuation. It is as "choosers" of economic goods that consumers play their part in the organization and direction of industrial affairs. The problem of consumption, both as an individual process significant for daily living, and as a collective process significant for its economic results, is fundamentally a problem of choice, of selection between values. The explanation of those activities denominated consumption involves, primarily, a charting of the desires, ends, and purposes which move men to action. The central question of consumption becomes a part of that large and all-comprehensive one, Why do men act in the way we observe them acting? The study of the consuming process resolves

<sup>1</sup> The transition to a war economy brought out very clearly the economic significance of the consumer. It was seen that the consumer was responsible not only for the wise and careful use of the resources which came directly under his control, but also for the wise choice of the ends and purposes toward which national resources and labor power should be turned. It was seen that economy in war time meant not only wise, frugal use, but a wise, judicious choice. It was seen that a limiting of consumption to essentials meant not only provision of funds for war loans and the negative virtue of sharing in national sacrifice, but a freeing of productive energy for social purposes, and its direction into the proper channels.

itself into (1) the observation of men's behavior as consumers; the asking of the question, Does it follow any standard type and pattern? (2) the attempt to explain why it takes the form it does. Since consumption is a choice-making process, the central problem of the student of consumption becomes inevitably the problem of values and of valuation.

Because consumption is primarily a problem of values and of valuation, because it is a carrying out of interests, ends, and purposes of every grade of ethical import, because it is the individual's choices as consumer which determine what society gets out of its productive effort, the study of consumption forms a part of still a third problem, the problem of human welfare as a function of wealth. Any attempt to appraise the welfare results of our wealth-producing activities leads inevitably to the consuming process, to an analysis of the motives, purposes, and interests which lie behind the individual's market choices. Investigation in this realm of human conduct may be, as some maintain, a grimy, sordid business. It may be that nowhere do human beings display so little nobility of character as here. It may be that "in spending, even more than in getting, we lay waste our lives." But the point is, that if so, then production too is for sordid, ignoble ends. It is consumers' choices which give human significance to production.

There are two economic problems which are fundamentally problems of social welfare. One is, How much is society able to produce? The other is, What does society choose to have produced? As Ely puts it, "There are two kinds of poverty: one a lack of goods for the higher wants, the other a lack of wants for the higher goods."<sup>1</sup> Here is the vital connection between the producing and the consuming processes, in the consumers' choices which, within the limitations set by general effectiveness in production and by individual income, manifest themselves on the market and

<sup>1</sup> *Outlines of Economics*, p. 5.

result in objective modes of living. Pursue the study of the productive process far enough, from the highly developed technique to its direction and guidance, to the uses to which it is applied and made to serve, and you come to individuals as consumers, possessing desires, impulses, interests, scales of preferences, which take objective form in the concrete, material structure and products of industry.

To insist upon the significance of consumers' choices is but to reiterate the doctrine preached by Ruskin, and repeated again and again by every one who has sought to make a human valuation of the net outcome of the economic process. The central doctrine of Ruskin's economic writings is that consumption is the end and aim of production, and the criterion by which the usefulness of production is to be judged. Ruskin really summed up the whole matter in the classic statements in "Ad valorem": "It is therefore the manner and issue of consumption which are the real tests of production"; and, "Consumption is the end, crown, and perfection of production, and wise consumption is a far more difficult art than wise production. Twenty people can gain money for one who can use it, and the vital question for the individual and for the nation is never 'How much do they make?' but 'To what purpose do they spend?'"<sup>1</sup>

Time and thought have made more and more apparent the truth and practicality of Ruskin's position. The degree of correlation between wealth and welfare obviously rests, under the present system, upon the nature of consumers' choices. For the individual, for the household, and for the nation, the real values which accrue from income, from the possession of generalized purchasing power, depend upon its uses, upon its distribution among possible

<sup>1</sup> See Introduction to *Unto This Last*, by Oliver Lodge. Notable examples of systematic, modern expositions of Ruskin's thesis with all its implications are: J. A. Hobson: *Work and Wealth, a Human Valuation*, and Henry Clay: *Economics for the General Reader* (1916), pp. 415-76.



purposes, upon the nature of the interests and ends to which it is applied. All the elaboration and ingenuity of productive technique and all the profusion of natural resources come to naught and are futile, if there be not some conscious or unconscious principle guiding their utilization which in some way makes for welfare. Are there any principles, any rules, any laws which govern consumers' choices? This is the question which an acceptance of Ruskin's position would lead those interested in the social welfare to inquire. What would a cross-section of the market valuations of consumers reveal? Merely a chaotic complex of individual impulses which baffle explanation and reduction to order? Is each individual a law unto himself, formulating his own philosophy of life, and carrying out his own concept of what makes for his welfare? Or, in this realm as in others, do we move in groups, with common interests, animated by like impulses? These questions and others like them are not idle speculation, but indicate the lines which inquiry must take before the data are at hand to enable us to judge whether, and under what conditions, human welfare is a function of wealth.

The economist, as such, has hitherto interested himself but slightly in the problem of consumption. Upon the contrary, he has rather prided himself upon his indifference to the nature of consumers' choices, resting content when he had pointed out the means by which communal resources and productivity might be increased. The fact of choice, and the differences in intensity and persistence of wants, he has necessarily recognized as the basis for exchange ratios, or prices of goods upon the market, but how these choices came to be, how they group themselves, or change, he has generally regarded as beyond his province.

It is true that a survey of the English classical treatises shows that a place, coördinate with production, exchange, and distribution, is often assigned to consumption, in the formal fourfold division of the field. To the subject of con-



sumption, however, little attention is given; it is usually dismissed with a discussion varying from a few sentences to a chapter in length. These early writers and their latter-day followers recognized consumption as the *raison d'être* of production, but once having pointed out this obvious fact, having assumed wants over against which could be set the niggardliness of nature, economic inquiry ceased. Formally the consumers' existence was recognized; they were always there, a sort of bottomless pit into which a continuous and ever-increasing stream of commodities must be kept flowing. But the chosen field for investigation was not the consumers' activities, but the organization of effort which they necessitated.<sup>1</sup>

Not only was a detailed study of the process of consumption avoided by the early writers, but to do so was justified, and consumption definitely ruled out of the field of economic inquiry. Mill says, "Political economy has nothing to do with the consumption of wealth," for the reason that, "we know of no laws of the consumption of wealth as the subject of a distinct science; they can be no other than the laws of human enjoyment."<sup>2</sup> Here it seems fairly clear that Mill is thinking of the process solely as one of utilization. He means probably that economists need not investigate the feeling-tone of consciousness while economic goods are being used; nor need they investigate, for example, the processes of digestion or assimilation of certain kinds of food, nor inquire into the moral effects of reading the "Origin of Species," or of beer drinking.

That is all very well; the economist does not concern

<sup>1</sup> Ely, discussing the much greater emphasis given in economic science to the wealth-getting than to the wealth-using activities of men, makes the significant comment, "Too often they (the economists) have considered man simply as the producer of wealth, the one 'by whom' the necessities, conveniences, and luxuries of life are created, whereas the infinitely greater truth is, that man is the one 'for whom' they are all produced. Of course, no one denies this truth, but one might as well deny it as to leave it out of account." (*Outlines of Economics*, p. 4.)

<sup>2</sup> *Essays on Some Unsettled Problems of Political Economy*, p. 132.

himself with all phases of the activities which are called production, but only such as are affected with an economic interest. In the same way it is only so far as individuals in realizing their interests as consumers, carry on activities with a direct and vital economic bearing, that the economist should concern himself with consumption. Consumers, if thought of as users of goods alone, are not active agents in the economic process, but simply recipients of its benefits. But they do not play merely this passive part; they bring pressure to bear upon the productive mechanism and attempt to control it in their own interests.

To what extent the attitude which the majority of economists have taken toward consumption as a field for economic inquiry is due to their narrow interpretation of the term, and to their failure to see all the modes of activity involved, is an interesting question. When writers upon economics make the statement that matters within the field of consumption are of no concern to the economist as such, how are they defining consumption and economics? What is the main economic problem, it is pertinent to inquire, and what are these activities which have no bearing upon it? If the economic problem is wholly the problem of turning out commodities in large and ever-increasing volume and consumption is merely a passive process of utilization, the economist may well feel that he has only a limited interest in the way it is carried on. Under these circumstances his discussion of consumption might well deserve characterization as "an uncertain group of topics in which it is difficult to get beyond platitude or exhortation."<sup>1</sup> But a different view of the economic problem and a different definition of consumption may place the latter in quite a different light as a subject for investigation.

But even within the limits set by the formulation of the economic problem as wholly one of amount of production, and by the view of consumers' activities as merely utiliza-

<sup>1</sup> F. W. Taussig: *Inventors and Money Makers*, p. 9.

tion, there is some scope for economic interest in consumption. Interest in the conditions governing the output of wealth naturally leads economists to consider the effect of the laborer's consumption upon his productive efficiency. The carefulness and economy with which he uses the goods which come into his possession, and the portion of his income which he abstains from consuming and turns back into production become important questions. Discussion of these topics has at times expanded the discussion of consumption to a considerable length. But the economist in this discussion of economy, frugality, and saving is considering consumption only as it serves production. The activities of individuals as consumers have become important only as they affect their efficiency and strength as producers and as their savings go to increase the apparatus for production. The effect upon production comes not directly through the activities of consumers as such, but only as the latter are also producers and investors.

The economist has also been somewhat concerned in another aspect of consumption — the possibility of waste after the goods have reached the hands of the consumer. The improper use of goods, their careless storage, and early deterioration through neglect, have been recognized as wastes of social resources for which the consumer is responsible. Wastes of this kind, however, are probably insignificant compared with those which may come from the unwise choices of the consumer, and the consequent faulty direction of productive energy. If the commodities are harmful, if they represent foolish fads, are rubbish or shoddy, there would seem to be no cause for grief when their day is shortened. Much greater possibilities for "waste" lie in the application of resources to undesirable ends than in mishandling after the goods have taken tangible forms and are in the hands of the consumer.

It may be true that the English Classical School and their line of succession neglected the study of consumption in

their preoccupation with production, and overlooked some of its more important economic aspects. But can the same be said of that later group of economists, the Marginal Utility School, who concerned themselves so decidedly with wants, their nature and laws, and with demand upon the market? It is certainly true that with the development of this body of thought, the field of consumption ostensibly assumes a new place in economic science. Jevons took as his major premise that, "The theory of economics must begin with the correct theory of consumption." The origin of value is located in utility of which it is the calculation form. Demand is analyzed, and demand price offers upon the market; wants are studied and the laws which govern their satisfaction. Can it be said that the study of consumption has been neglected since the extensive studies of these theorists have been made? Chapters are found in general textbooks under the heading of consumption which deal with the nature of wants; and monographs appear which are devoted to a study of consumption as a choice-making process.<sup>1</sup> Surely it can no longer be said that consumers are regarded in economic thought merely as users of goods, the sole economic significance of whose activities is in their effects upon production. The question is, How satisfactory is the theory of consumption formulated by these writers, how accurately does it describe consumers' activities, and how adequately does it explain the choice-making process?

In the first place, it must be noted that the marginal utility theory is, and was intended to be, primarily a theory of exchange value or prices. What its proponents sought was an explanation of the varying rates of exchange of commodities upon the market. They sought a formula, or formulas, which would fit the diverse market conditions and explain the terms of exchange resulting therefrom. Further, they sought the origin or the primary cause of market value.

<sup>1</sup> Examples are S. N. Patten: *The Consumption of Wealth* (1889), and G. P. Watkins: *Welfare as an Economic Quantity* (1914).

This they found in utility instead of labor, thus incidentally cutting away the logic of the socialists' demand for the whole product of labor. But this emphasis upon utility, or desirability, or desiredness, as a causal factor in the phenomena of market value, does not in itself involve an understanding, or even an interest, in the consumers' attitudes which lie back of choice. The marginal utility theorists will not pursue the study of consumption further than they consider needful to enable them to formulate the laws of price.

But in however limited a way the marginal utility theorists may have conceived their problem, did they not in their analysis of wants, of utility, and of the choice-making process, furnish us with at least the main outlines of a theory of consumption? They did attempt to formulate in a general way the laws which govern choice and which explain consumers' activity, but, as it unfortunately happens, here is the weakest point in their whole body of thought. The most severe criticism has been directed toward this particular part of their work, the account which they gave of human behavior as a selective or choice-making process. It is fairly well established that they built their theory of human conduct, their so-called theory of consumption, upon a philosophy and psychology long since discredited and discarded. Men do not act, it is said, in the way the marginal theorists described them as acting. We cannot recognize ourselves or our fellows in the hedonistic, individualistic calculators whom they described, nor find in their account any trace of the complexity of motives, impulses, and interests which lie behind market activities. This faulty and abstract explanation of choice, this unreal account of life and of the forces which are behind consumers' activities, may or may not affect the validity of their doctrine as a theory of exchange value or price, but it undoubtedly does affect the adequacy and acceptability of their theory of consumption.



It is not necessary in this place to take up in detail the deficiencies of the marginal utility theorist's psychology of choice, nor to indicate in full the inaccuracy of their account of the ends and purposes which are realized through consumption.<sup>1</sup> But one or two points are especially pertinent in connection with the preceding discussion. For example, their laws of choice seem to be nothing more nor less than what might be called "laws of enjoyment," or the laws governing utilization of goods. The law of diminishing utility is such a law; it involves the principles which govern physiological capacity, or some other aspect of the use of goods. The utility theorists explained choice by the feeling-tone, or enjoyment, that was supposed to accompany the utilization of commodities. Choice-making was a process of forecasting, or anticipating this future satisfaction. As Veblen put it, "Current phenomena are dealt with as conditioned by future consequences." There is "control of the present by a consideration of the future." In other words, choice was based upon the content of consciousness at the time of utilization. In spite of the formal emphasis upon the active choice-making function of consumers, they concentrated their attention upon the consumer while engaged in the process of utilization.

Again it might be noted that by the marginal utility theorist's analysis, consumption is a process practically timeless and spaceless. There is no suggestion that consumption habits and standards vary with time and place, no suggestion of the numberless modes of human activity which it covers, no suggestion that the motives, interests, and impulses behind it are of infinite variety, and are molded, shaped, and organized by the whole environment in which the individual is placed. The laws developed by this group have too much of a suggestion of immutability and imply too strongly that the consuming process is unchanged under the present industrial system from what it was under a

<sup>1</sup> See Chapter VI.



totally different organization. Consumption, as they show it, is seemingly divorced from all the realities of life. It is not influenced by the mode of thought which governs production, which prevails in religion, or by any other contemporary line of human interest or activity. It is not reacted upon by institutions, and above all, there is no hint that it is itself subject to social guidance and control, or that it embodies a concept of social welfare.

Thus it would seem to be fairly clear that the way is open, and that the need exists for an inquiry into the nature and laws of consumption as it shows itself under modern conditions and institutions. By one school of economic thought it has been neglected because of their preoccupation with the problem of increasing production, and their limited view of what the process of consumption really involves. Another school gives only a faulty, inadequate account, incidental to their major problem. Neither school has ever made the problems of the consumer, or the character of his activities, a matter of primary concern and investigation.

The consumer, then, must be studied. Here is a virgin field never properly charted and explored. Not only for purposes of "value theory" is there need of exploring the world behind the demand curve. The need is also felt by those interested in the control of our economic order, in the human standards and values which direct the flow of productive energy, and in the way wealth subserves welfare. Further, many current problems prominent in public interest are consumer's problems. Chief among them is the high cost of living, truly a consumer's problem. The cry is that the consumer is weak, while others are strong, that he is defrauded and exploited by monopolist, by profiteer, by speculator, by middleman. The popular view seems to be that the industrial order operates to the disadvantage of the consumer and places him in a weak and exploitable position. Clearly there is need for an examination of the posi-

tion of the consumer,<sup>c</sup> of the sources of his weakness, and the extent of his strength.

The group of persons to whom the problem of consumption comes home most closely, and who in their daily activities embody most completely the general public that chooses and uses goods, are the women who are the heads of modern households. It has long been a matter of note, that one by one the productive arts have been leaving the household until it is no longer the center of production. The family still is, however, the unit for consumption, and the individual household the center for this purpose. The head of the household is, accordingly, no longer mistress and supervisor of the productive processes which supply the family's needs. She has become the director of consumption, the maker of budgets, the purveyor who seeks upon the market the goods which the family needs. To her is largely delegated the task, so important for family welfare, of making market choices and spending the family income. It is the household managers who, in a peculiar way, are deputed to speak for the whole body of consumers.

What, then, must a theory of consumption include which is adequate to meet the problems of general and of special interest which center here? Where should the analysis of the consuming process begin and whither should it lead? In the first place it is evident that the consuming process takes place by means of a productive organization which limits and conditions it in manifold ways. An adequate theory of consumption should, it would seem, take note of the place and function of the consumer in this industrial scheme. His status obviously is quite different from what it was in earlier times and from what it would be under other types of industrial organization. What does the present organization give him in the way of power and responsibility? What scope and freedom does it allow to his interests and desires?

Further, a theory of consumption which has a regard for

circumstance of time and place will note that consumers' choices only become potent as they affect price levels and profit margins. The whole course and outcome of consumption within a group is notably affected by the distribution of purchasing power. Of no other consuming problem is the individual, probably, more keenly aware than of the limitations imposed upon his choice by the size of his income.

Again, it is to the current productive technique that we must look to find the range of the consumer's choices in terms of the economic goods and services which are available to serve his purposes. Here is found the positive content of his formal freedom of choice. But the completeness with which the consumer's interests are furthered does not rest upon technical productive possibilities alone. Production is controlled by profit-seeking producers. Our economic arrangements make possible a subversion and baffling of the consumer's interests through monopoly, fraud, adulteration, and other more subtle devices of the profit-seeking producers. An adequate theory of consumption must recognize these practical conditions with which the individual consumer is likely to be so much concerned.

But the problems mentioned above are merely those arising from the nature of the mechanism by which the consumer is served. Ever presenting itself is the more fundamental question, what interests and purposes seek expression through this mechanism? What is the concept of need, or of welfare, that guides consumers in the formulation of market policy, and in the making of market choices? The answer to this question leads away from the world of business activities and business relations, to the world of human values and the complex influences which determine human conduct. The fundamental problem of consumption becomes a problem of choice, a problem of human behavior.

An adequate theory of consumption, then, must comprehend an adequate theory of choice, one which will really il-

illuminate the dark places and make intelligible the consumer's behavior. The test of its adequacy to interpret and explain the consuming process, will, it is believed, lie primarily in its conformity with the principles which are generally recognized as governing human conduct, and in its conformity to the observed realities of our consuming habits. A valid theory of consumption will not be divorced from reality, — it will interpret the facts; and it will not assume a type of human behavior in this field radically different from that in other lines, without at least showing due cause for the departure.

Such a theory of consumption can, it is believed, be built around that outstanding feature of consumption, the existence of standards of living. Organized scales of values direct our activities as consumers and manifest themselves in concrete ways of feeding, clothing, housing and amusing ourselves. This is the most neglected field of consumption, this ordering of our lives according to accepted codes of the necessary and proper. The analysis of our consuming habits, and the formulation of a theory of choice, must take account of the existence of these standards, and the power they exert over the individual's attitudes and conduct. An adequate theory of consumption must explain how these standards come to be. It must note their characteristics and manifestations; it must indicate the process of their formation, analyze them into their elements, show how they develop and change, and finally, indicate something of their significance.

## CHAPTER II

### THE CONSUMER'S FORMAL FREEDOM OF CHOICE

THE whole of that process we call consumption cannot be understood apart from the industrial organization of the time and place in which it is being carried on. Almost every feature of our industrial society has some special consequence for the consumer, and almost every change that occurs in the industrial structure conditions or limits in some way the mode and manner of consumption. The practical problems of the consumer in the present economy are quite unlike those he would have to face under another régime, and the composite activities we call consumption reflect in no small degree the peculiarities of the industrial system through which the consuming interests must seek expression.

Chief among the features of the present régime which directly concern the individual as a consumer, is the place which it formally allots him in the industrial scheme. By the present arrangements the consumer has a definite part to play in the economic order, and power over its operation. A price-controlled régime makes him a responsible economic agent, and places the process of consumption upon an entirely different plane than would be possible under any other arrangement. The consumer in a price-governed economy has formal freedom of choice and is the ultimate authority who decides what shall be produced. As far as the rules of the game go, it is his to choose without let and hindrance up to the limit of his purchasing power among the varied possibilities in economic goods and services. He has at least the first prerequisite of real freedom, the recognized function of guiding his own course without arbitrary external limitations upon his freedom of action.



To describe in detail the economic arrangements by virtue of which the consumer is placed in this position of potential power and influence, would involve a complete analysis of the structure of industrial society and a lengthy description of how it works. Fortunately this is quite unnecessary. Every textbook of economics, in its discussion of modern business organization and of the market valuation process, sets forth the system in its fundamental outlines. About the general character of our economic arrangements and their operation there can be little difference of opinion. The active agents in production under our system are the varied assembly of entrepreneurs, or "business men," with their advisers and agents. Those who represent, either permanently or temporarily, ownership of resources, undertake productive enterprises in which they appear in various capacities, as promoters, capitalists, employers, directors. These men, or groups of men, who can command the means of production determine the nature and size of the various business ventures. They are the individuals immediately responsible for the initiation, continuation, extension, or curtailment of industrial enterprises. They determine business policy, organize the individual producing units, and build up the vast network of interdependent industries.

But these active agents in production are not only described as enterprisers, organizers, and producers. From another angle they are more properly called risk takers, profit seekers, or cost accountants. That is, they produce with constant reference to a marketing and valuation process; they offer their products upon pecuniary terms, which, as exchanges take place, become the price quotations of the day and place. Productive activities may be resolved into a series of price experiments, the results of which determine the continuation or abandonment of particular business enterprises. What the business manager considers in making his plans for production is the probable fate of



his goods upon the market — the readiness of their sale, the price which they will bring, and the amount which can be sold at each price.

This analysis makes evident the consumer's formal place and function in the industrial scheme. The consumers represent "demand," the market, the purchasers who must buy before the exchange, or even the price-making process, is complete. Step by step a sequence can be built up which leads to the consumer as a responsible agent in the control of industry. We see the active agents for carrying on current business activity controlled by price, and, ultimately, by the factors which make price.<sup>1</sup>

What does the consumer have to do with making the price? He has this much to do with it at any rate. There would be no price, no terms of exchange, if he had not purchased; he is a necessary party to the price agreement. Goods are *sold*, a contractual relation is established between the maker and the user. Goods are not distributed to consumers as to the inmates of a prison, soldiers of an army, or to the dependent members of a household. Whatever the business man may do to influence pecuniary results in his favor, he must, under the present economic organization, place his goods upon the market and take for them the price some one is willing to pay.

The consumer, in other words, has formal freedom of choice. The price paid and the amount taken are from that

<sup>1</sup> Smart sums up the situation in this way: "It is a commonplace of economic science that it is the consumer, and the consumer alone, who provides the motive force for the producing organization. It was so in the primitive state when man's hunger forced the spade into his hand. It is so in the modern, where his wants, measured and expressed in a price offered, tell the organizer of industry what to work at, set the limits within which he works, and determine what form wealth shall take. Within a community where everybody makes to sell, the condition of making anything is that some one will pay for it. Whatever the kind of goods the consumer demands, the producer, who has his living to get, will make them. Whatever the price he puts upon them, it is the whole that the producer can get for making them. In a word, it is by the consuming public that the producing public is employed." *Second Thoughts of an Economist*, p. 116.

angle an expression of his choices and preferences. The compulsion upon him to purchase is the compulsion of his own scale of values, his own standards of the essential and desirable, however these may have been formed. The actual goods which he buys, by surrendering part of his purchasing power and thus establishing a price by which the producer may guide his further enterprises, represent his imperfect attempts to secure the means for carrying out his purposes and interests. Behind prices are men's "wants," and their relative urgency, as weighted by their relative incomes. Prices, too, express relative plenty or scarcity, the conditions of supply, the difficulties or costs of production; they indicate the terms upon which the goods are produced. But it is for the consumer to say whether he wants the goods upon those terms; he signifies through prices whether the producer shall continue to incur the costs involved.

Price, then, the result of market activity, may be regarded as a device for bringing to a focus the choices of consumers, and translating them into pecuniary terms for the guidance of entrepreneurs. It affords a mechanism by which those human interests and needs which require economic activity for their realization can manifest themselves and enforce their execution. Pecuniary valuation upon the market permits a ready expression of consumers' preferences and choices. Demand is thus registered, and, once registered, will be reflected in the organization of industry. A price organized society is one that is sensitive to consumers' desires when expressed in the form of a price offer.

The functional character of the institution called a market and its significance for the consumer are often overlooked. Schäffle in "The Quintessence of Socialism" notes three functions of the present speculative market: (1) social determination of the collective demand; (2) determination of the quantity and quality of produce demanded; (3) continuous establishment of exchange value such as to main-

tain the economic balance between production and consumption. How does exchange value maintain the balance between production and consumption? First, by controlling production through profit margins; secondly, by controlling consumption through prices which represent a varying proportion of purchasing power. Prices indicate relative supply; they are a means by which society controls consumption; they express the pecuniary terms upon which wants can be satisfied.<sup>1</sup>

It might well be asked what mechanism for control would take its place, if through some basic institutional change valuation upon the market should disappear. As long as there is a limitation of social resources there must be, presumably, some method of apportioning them, some method of expressing preferences as to their uses. The present arrangement, the registration of demand through price, has its obvious dangers. The price mechanism is impersonal, and is indifferent to the merit or demerit of the demands which it registers. It does not discriminate between worthy and unworthy ends.<sup>2</sup> The results for human welfare of organized economic activity are determined by the needs, purposes, and interests which "free" consumers seek to realize upon the market. And, however depressing the results at times may be, freedom of choice is a privilege not lightly to be dispensed with.

Nothing perhaps brings out more clearly the position of the consumer in our society than to contrast it with his status under the industrial systems of the past and some of the systems proposed for the future. Only in a price organized

<sup>1</sup> *Op. cit.*, p. 39.

<sup>2</sup> It is not true, of course, that we have here an automatic mechanism totally indifferent to human welfare. It is operated by human beings who are influenced by their individual sentiments and standards. Choice of employment and investment is influenced by desire for service, tastes, etc. But with our institutions, income cannot be ignored. Pressure through the market will find, imperfectly and slowly perhaps, a response in industry. See P. H. Wicksteed: *The Common Sense of Political Economy*, p. 35.

society does the consumer have the power of choice and is the process of production even nominally under his control. What this arrangement means both to society and to the individual may best be seen by noting the conditions under which the consumer does not possess this freedom or finds it abridged or taken away.

In such a society as the primitive kinship group, or even in the later feudal economy, individual freedom of choice in consumption, or in anything else, was, of course, out of the question. Authority based upon custom and status was the keynote of the economic organization in every particular. Uniformity with the past was imposed by the rule of custom and uniformity with one's fellows by the rule of status. Methods of production were unchanging and only a limited range allowed to individual initiative. The two supreme ends which are usually said to have dominated the whole social organization were protection and subsistence. The economic organization was made to serve these ends inflexibly without regard to individual caprice or fancy.

Maine, in his study of feudal institutions, raises the question why so large a part of the world voluntarily placed themselves in a condition of personal subordination, and made for themselves and their descendants an unchanging status. He finds the only explanation in the general disorder of the world and the existing system of civil and criminal responsibility. But whatever the particular cause, the social organization was devised to meet fixed ends, and individual activity was accordingly controlled in such a way as to conform to these ends. Individual interests which might conflict with them had no opportunity for expression. It was only when the pecuniary organization developed and replaced the economic order based on authority that the individual acquired his present economic freedom, and the economic organization became a flexible one permitting the adaptation of social energy to a wide

and uncertain range of interests. It is to be noted, however, that whenever society deems it imperative that total social energy be directed toward a particular purpose, pecuniary organization is usually replaced with some other mode of control. Chance individual nonconformity with the social purpose cannot then be allowed to divert communal resources to private ends, and regulations are made and individual freedom is abridged to safeguard against such diversions.

This last situation is well illustrated in time of war. Society in the presence of a great war is confronted with the same situation which primitive and medieval peoples had to face. There are two outstanding social needs, a minimum of subsistence and successful warfare. In the declaration of war a definite social purpose is formulated, and social resources must thereafter be utilized in ways that will carry out that purpose. Upon this basis it is then possible to formulate a definite economic policy, and to differentiate between the essential and the non-essential use of resources.

The test of national strength in time of war is largely the singleness of purpose with which resources are used. The problem of efficient economic organization for war raises the question, Can the pecuniary organization, with its responsiveness to individual interests, be retained or must it be supplanted with another mode of control, allowing less freedom of choice to the individual, but turning the stream of productive energy at full strength toward the major social purpose? Can a pecuniary organization meet a war-time situation, quickly and completely, without the risk of waste? Can the individual retain his freedom of choice in the face of the necessity for singleness in purpose?

Spencer long ago pointed out that the best organization for peace was not the best for war, and that the best for war was not necessarily the best for peace.<sup>1</sup> A pecuniary or-

<sup>1</sup> *Principles of Sociology*, II, chapters XXVII-XXVIII.



ganization with its contract relationships, its responsiveness to price and the varied complex of consuming interests, is evidently not the best for war. War time requires a rigid, inflexible organization which subordinates to the one objective all minor social interests. Spencer thus describes the typical military organization: "His (the citizen's) life is not his own, but is at the disposal of society. He may pursue private ends only when the tribe or nation has no need of him. This is true also of his property; his right to use is no longer absolute or exclusive." "Not only the fighters but the workers must be under control. This means that the individual is told what he shall do as well as what he shall not do. The how, where, and when of his activities may be prescribed; his mode of living regulated."<sup>1</sup>

The war administration of each of the countries recently involved in a great military enterprise illustrates Spencer's thesis admirably. These nations were forced to realize how completely the use of their resources was controlled by private proprietary interests and that something more than a legislative vote or royal proclamation was necessary to effect a transition to a war economy. It may be questionable how far freedom of press and freedom of speech may be permitted in time of war, but it is certain that freedom of choice on the part of consumers, and freedom of enterprise on the part of producers are incompatible with its most effective prosecution.

The history of the war administration in each of the countries seriously involved shows in almost every case the transition from the pecuniary organization of peace time to a system of authoritative control. At first an attempt was made to carry on the war like a gigantic public work, purchasing upon the market in the usual way the labor and other supplies needed. But as the need and the pressure upon time became greater, as the problem became clearer,

<sup>1</sup> *Principles of Sociology*, II, pp. 571-74.

it was seen that price alone was inadequate to secure the maximum concentration of productive energy upon the essential war purposes. Still there was a natural reluctance to abandon the individualistic "free" régime, and to modify an economic organization which is based upon such deep-seated concepts of individual rights and duties. The government instead tried to get the desired results by educating the public and by persuading consumers and producers to do their war-time duty.

This was the period of intensive struggle for volunteers for service in the army and navy and in munition plants, and for voluntary food substitution and saving. Patriotic appeals were made for the diversion of private materials and plants to war purposes and for the cessation of luxurious expenditure. Information was spread broadcast about the war needs and the goods that were essential and non-essential. Such efforts helped to secure the necessary "singleness of purpose," while they left the pecuniary organization and the consumers' formal freedom of choice practically as they were in time of peace. But it is a tedious and difficult, if not impossible, task to make the price system, supplemented by propaganda, as efficient for war purposes as direct authoritative control over resources and labor power. To make this method serve the war purpose with a maximum of efficiency, it would be necessary not only that each individual have constantly in mind as his dominant motive the desire to promote the war enterprise, but also that he know exactly and definitely the activities which are essential for that purpose. It is not only a case of having the heart right, but the head also.

Accordingly we saw the last step taken in the organization of national resources for war purposes. First in one line and then in another, first in one country and then in another, the time varying with the exigencies of the situation and the individualistic temper of the people, the pecuniary organization with its freedom of choice and enterprise

was set aside, and there was substituted for it a definite system of control, based upon authority vested in the state. Illustrative of this control were the military conscription, the requisitioning of plants, of supplies, of ships, of railways, of mines; the control of imports and exports; the prohibition of private purchase of the wool clip, of wheat, of sugar; the priority orders to manufacturers, the rationing, the price fixing, the strike embargo.

In America the selective draft, the work of the War Industries Board, the War Trade Board, the Shipping Board, the War Labor Board, the Food Administration, and the Fuel Administration, illustrate the same situation. These short-lived bodies did not exercise the powers, or work out the definite plans of similar agencies in other countries. Yet they cannot be regarded as merely the machinery of a gigantic corporation attempting a gigantic and complicated business enterprise. Their work was to reorganize the industrial order by exercising authoritative control over economic activity and resources. They were to see that there was no waste, no diversion of labor and capital to non-essentials, and that all powers were concentrated upon the single purpose.

It is interesting to note how far this went in Great Britain during four years of experimentation, to see the extent to which production guided by prices fixed in a "free" market ceased to be, how limited was the consumer's range of choice, and how abridged and modified was the "bundle of rights" which constituted private property. In one way or another the government controlled the use of the major industrial plants, the important raw materials, the food stuffs, the mines and minerals, the means of transport by land and by sea. By requisition, by exercise of power to license, or by express prohibition or order, it directed the use of productive resources and allocated each in its proper proportion to the various essential civilian and military purposes. To be sure the government

was animated to some extent in its regulations by the same motives as any business concern, the desire to obtain adequate supplies of capital goods and labor at the minimum of cost. Unified management made many economies possible; centralization of operations and the elimination of competition reduced expenses; and price fixing reduced cost to state and private buyers alike. But these were not the major reasons for the change in control. Private enterprise and individual freedom were not swept aside primarily to reduce war expenses, but in order to ensure the most complete use of resources for the undertaking in hand.

What was the situation of the consumer in this changed régime? The list of commodities and activities which were no longer subject to his caprice and power to purchase would be a long one. There was dictation from above of the amount and quality that he might have of bread, cake, meat, milk, butter, cheese, other fats, sugar, tea, jam, gas, electricity, petrol, and coal. He found on the market very limited quantities, or none at all, of such commodities as wool, linen, leather, beer, fruits, sweets, paper, watches, perambulators, and typewriters. He was not permitted to feed his domestic animals as he pleased, to use a horse or motor car for pleasure, to build or repair a house, to "commute" at will, or go abroad. All these limitations upon his freedom existed, be it remembered, in spite of his willingness to buy and the willingness of others to produce and sell. It was not a limitation through shortage of supply, brought about by crop failure, or blockade, or the lack of foresight of producers. In such case the supply, whatever there is of it, is assigned by market bidding, and goes to hoarders and to those most able to pay. This limitation upon the consumer's freedom of choice came through substitution of control by authority for control by price. It was secured by a substantial modification of the old system of proprietary and personal rights. Freedom of enterprise and contract were greatly limited, the range of commodi-

ties subject to private ownership was lessened, the right to use and the right to offer for sale were restricted.

The events of war time enforced a recognition of the consequences of placing production under pecuniary control, and leaving the individual consumer free to organize his own manner of living. The competition that will arise between different needs and interests, and the uncertainty as to the adequate fulfillment of particular purposes, became evident. The question of the "best" way of controlling economic activity came to the front.

It appears that the "best" way of apportioning productive energy among various possible uses depends upon the situation in which a group finds itself. In time of war or threat of war the group or nation knows clearly and definitely the needs for which it must use its productive resources. There is a definite, common purpose. Since it is definite and specific, there is a test of what is, or is not, an essential activity, a dispensable or indispensable use of resources; there is a criterion for "necessity," "luxury," and "waste." "War has given us an economy dominated by one supreme end so that all other things take rank according as they do or do not contribute to that end, and that end is something that can be defined in objective terms — so that the worth of services can be tested by objective standards."<sup>1</sup> "The expert can (therefore) standardize consumption." "Our society knows what it wants and can draw up specifications."<sup>2</sup>

Under these circumstances it seems that authority could well be substituted for price as the method of drawing labor and capital into the desired lines. This ensures the carrying out of the social purpose with a minimum of risk and waste. The price system with proprietary and personal rights untouched would work with great uncertainty. The

<sup>1</sup> *American Economic Review*, VII, p. 772, J. M. Clark, "The Basis of War-Time Collectivism."

<sup>2</sup> *Ibid.*, p. 773.



outcome would depend upon such variables as the universality and strength of the war spirit, the general willingness to economize and deny, the knowledge of exact requirements, the strength and pressure of old standards of living and old concepts of necessity, decency, and luxury, the amount of resistance from the non-essential industries threatened with financial loss and the effect of war-time taxation.<sup>1</sup> The time and energy spent in education and propaganda would even then not give results commensurate with those obtained by a resort to authoritative control.

In contrast with this situation, let us assume the opposite state of affairs, the conditions of peace and relative plenty which are supposed to be normal to present-day civilization. Here it may be that society can permit the individual to have wide freedom of choice, so far as productive powers above the margin of subsistence. The danger of diversion of productive energy to non-essentials may not be so great as to warrant authoritative control of consumption.

It is to be remembered that there are three ways of safeguarding against uses of productive energy which are felt to be uneconomical and unwise. If the difficulty lies in the distribution of purchasing power, as may be the case today, the remedy may consist in measures to effect a more equal distribution;<sup>2</sup> if the difficulty lies in the nature of consumers' choices, the remedy may lie in the formulation of new standards and values. This process, as will be shown at length later, is continually taking place.<sup>3</sup> The third method of preventing "waste" is through authoritative control, enforced by those in whom political power is lodged.

When is the third method which takes away individual freedom of choice the proper procedure? The fundamental

<sup>1</sup> *American Economic Review*, VII, p. 777, J. M. Clark, "The Basis of War-Time Collectivism."

<sup>2</sup> This problem is discussed in Chapter III.

<sup>3</sup> See Chapters VIII-X.

test which determines its applicability seems to be the existence of definite ends to which there is common agreement to sacrifice, if need be, all others. Further, the ends desired must be so clear and definite that objective standards can be applied to them. Vague and general standards like "welfare" or "happiness" will not suffice. Definition of "necessity," "luxury," or "waste" would then become a matter of the private judgment of those in control. But except in a time of stress like war when the satisfaction of basic physical needs is threatened how many objective standards can we set up? What absolute test of the essentiality of an economic activity can we apply? If it be true that "genuinely objective standards are difficult and laborious to achieve"<sup>1</sup> and have not been set up, then authoritative control of economic activity would be most difficult to administer. When society has only vaguely felt and vaguely formulated standards and purposes which can only be expressed in general terms, there can be no definite policy put into effect by authoritative action.

This is, of course, but another way of stating the difficulties always inherent in the attempt to secure an end by the use of law. To use law successfully as a mode of social control, the end to be accomplished must be definite and one that can be attained by force if necessary. The industrial regulations of the Mercantilistic period had these qualities. The farmer, for example, was ordered to keep one cow and one calf to every sixty sheep — and to sow one quarter acre of flax or hemp for every sixty acres of other crops. There was a definite national policy in terms of which the particular regulations could be formulated. Without this, society must resort to other methods than law to guide the uses of productive energy, and must trust to custom, convention, and public opinion, to direct the choices and standards of individuals aright.

<sup>1</sup> *American Economic Review*, VII, p. 790, J. M. Clark, "The Basis of War-Time Collectivism."

The practice of modern states illustrates the principle fairly well. When and in what cases has it been felt desirable to exercise direct control over consumption — to substitute the authority of the state for the will of the individual? One case in point is education, a good so generally considered affected with a public interest that its provision has been made a public charge and its acquisition compulsory for children below a certain age. Control of the opposite character is shown in the prohibition of the production and use of certain commodities. But the difficulty is evident of securing a common agreement upon any large number of commodities the consumption of which should be either compulsory or forbidden. Until there is that agreement, authoritative control is out of the question.

Two things, it would seem then, always accompany a resort to authoritative control of the uses to which economic activity is applied. First, a primary social need, clear cut and definite, to which all others are subordinated; and second, the fear that social resources will be insufficient to meet this need adequately. When the group as a whole is conscious of no such supreme purpose to be accomplished, it would seem to be necessary to allow individual choice to determine the uses of social resources. If the judgments and standards of those in authority are imposed, we have the very antithesis of individual freedom. Control by the price system, upon the other hand, places the productive powers of society under control of the interests and attitudes represented by consumers, as those interests have been developed and organized in the course of the life process. Within the limits set by the conditions of the pecuniary organization itself, each group or class is free to work out its own concept of welfare. There is opportunity for experimentation and changing standards. Over against the risks and inevitable wastes of giving freedom of choice to the individual must be

placed the possible gains which attend such an arrangement.

The socialistic program is especially interesting in this connection. The socialist group propose to alter radically the system of ownership and other individual rights in order to secure a more equal distribution of income and a more equitable allotment of power among producers. What would be the position of the consumer in the resulting economic order? How would the terms of exchange for goods and services be fixed, and would some device other than pecuniary valuation, the result of market activity, control industry and maintain the balance between production and consumption? Where would the responsibility for guiding economic activity be placed, and on what basis would the different uses of productive energy be planned? Would there be freedom of demand, scope for experimentation in values, and possibility for changes in standards? The question is, Would there not have to be retained in the socialistic order the institutions of a market and of price by which consumers' choices would be registered and production guided?<sup>1</sup> Would individuals part easily with their present freedom of choice?

What has already been said about the usefulness and practicability of authoritative control when social purposes and needs are not clearly defined, and when they are not sufficiently objective for test and comparison, would evidently hold good under the socialistic régime. There is no reason to suppose that society would know more definitely what it wanted, and be able to formulate more objective and exact standards under a socialistic than under the present régime. It may be true that there would be clearer vision as to real values if the bias of pecuniary measurement were

<sup>1</sup> Some of the guild socialists have considered the position of the consumer in the new economic order. They have planned that consumers should have their representative body to protect their interests and have tried to arrange for the coördination of its functions with those of the producers' councils. See G. D. H. Cole: *Social Theory*.

removed. But common agreement as to supreme ends and their relative claims would still be necessary. The authorities of the socialistic state would be subject to the same limitations of judgment in regard to the primary needs as we are to-day. They would probably, as to-day, be better able to formulate negative policies — restrict the flow of labor and capital into undesirable lines — than to work out a positive policy, and allot and apportion resources among competing interests.

It might be argued that after all we do know our primary and fundamental requirements quite well, that there is fairly common agreement upon many details of material welfare.<sup>1</sup> It might be argued that experts, with a view to service rather than to profits, could rationalize and standardize consumption; could define necessities, luxuries, and waste; could experiment with new values, and provide for change and improvements. Statisticians and historians could furnish for the guidance of those in authority records of the customary and habitual requirements of different classes at different times and under different conditions. Experts could work out model dietaries, design artistic houses, furniture, clothing, and ornament; the gifted could furnish a superior literature, music, and dramatic art. Corps of investigators could experiment with new foods, medicines, and sanitary arrangements. Nothing would be "shoddy," nothing adulterated, nothing ugly, nothing unwholesome, nothing harmful. Machinery for petitioning, for filing complaints, and for making suggestions would, undoubtedly, be part of the system. An alluring picture can be made of a great economy without "waste."

But the conditions under which authoritative control can function properly are not easily secured. To-day it is im-

<sup>1</sup> "There is little difficulty in determining what are the basic needs of society to-day. Adequate housing, good clothes, sufficient heating, and wholesome food are alike lacking to the majority." Fabian Tract No. 144, p. 14, *Machinery; Its Masters and Its Servants*, H. A. Schloesser and Clement Game.



possible to formulate any but the very minimum consumption requirements with anything approximating scientific precision. In most cases we accept as "necessary" what to the common sense of the time seems requisite. There is scarcely a field, unless it be to a limited degree in the case of food, where we know exactly what is desirable. What is "shoddy," "ugly," "unwholesome," or even "adulterated"? What are "good" clothes, "sufficient" heating, "wholesome" food? Then what are the tests to apply to quantity? What is "adequate" housing? When are even the primary wants supplied adequately? What would determine the relative claim of even these primary needs?

Even if all these difficulties were non-existent, and if knowledge and good will were forthcoming in proportion to the task, — and one hundred per cent accuracy would not be necessary in order to secure an improvement over the present system, — there is a still more important consideration. The "good life" is imposed upon the individual from without. He wants to live in a Chicago or a Gopher Prairie. Shall he be forced to live in an Athens? There is no freedom of choice, no self-expression, no exercise of individuality, in choosing the instruments of material life. There is the odious suggestion of a method analogous to the feeding, clothing, and amusing of the children of a household, of the soldiers of an army, or the inmates of a reformatory.

But the situation is vastly different when the needs of the general public are to be met. The goods furnished, unless they reflect the felt needs and the inclinations of consumers, will not be chosen and paid for. Articles may not be taken from the public warehouse, or not be taken in the quantities provided; the public theaters and art galleries may not be patronized. All that we know of the irrationality of human conduct, the variability of human wants, the dynamic nature of standards, the multiplicity of human interests, throws serious doubts upon the workability of a system of authoritative control.

The conclusion seems unavoidable that control of production by authority would necessarily be confined within narrow limits in the socialistic state. There must be some expedient that will allow the free registration of demand and a guidance of industry upon that basis. If "buying and selling, markets and prices are impossible within a socialized economic organization,"<sup>1</sup> then new devices must be sought. It is almost inconceivable that there should not be a free expression of individual demand in the course of exchange, with resulting variations in the valuations of goods. The unavoidable rejection, at any price or at the price fixed, of the goods which had been produced, would be an automatic indication of the dislikes of consumers; while offers of higher prices, a rapid rate of turnover, more orders than could be filled with existing stock or machinery would be indications of preference. Production would certainly respond from very necessity. But this is pecuniary control; that is, control on the basis of market activity and what is shown thereby. This means individual freedom of choice; the consumer's formal status would be the same in the proposed régime as in the present.

Freedom of choice for consumers, then, characterizes the present economic order as does freedom of enterprise for producers. This is a régime of individualism in consumption, as it is in production, in government, in religion. Freedom of choice in the use of goods is one of many forms of freedom, economic and otherwise, that differentiate the status of the individual in the present social order from what it was in the past. All the individual and social advantages claimed for liberty and freedom in other fields may be claimed for them here. Schäffle says, "Freedom of demand is the first essential of freedom in general. If the means of life and of culture were somehow allotted to each from without, and according to an officially drawn-up scheme, no one could live out his own individuality or de-

<sup>1</sup> Schäffle: *The Quintessence of Socialism*, p. 70.

velop himself according to his own ideas; the material basis of freedom would be lost.”<sup>1</sup> The first prerequisite of real freedom is the formal recognition of the power to choose, and arrangements which make possible the expression of individual desires.

But formal freedom of choice, important as it is believed to be, is but the first step toward what may be called real freedom, or the effective exercise of the power which has nominally been granted. When we speak of the various forms of freedom — economic, political, religious, intellectual — which are presumed to exist to-day, it behooves us to have clearly in mind what constitutes this “freedom.” Freedom of speech, of worship, of enterprise, means simply that there are few or no political limitations upon the individual’s activity. There are no regulations imposed and enforced by the state, or other recognized authority, upon the individual’s choices in these matters. There are no compulsory decrees or prohibitions promulgated by authority. This does not imply that there may not be other limitations of a most decided character upon the individual’s scope of action. There are all sorts of deliberate attempts to mold and influence the individual’s religious and political beliefs until from one standpoint the individual seems quite powerless to form independent judgments. \*

And what of the much vaunted economic freedom of the individual? What does “freedom of enterprise and competition” really mean? It means only that there is notable absence of political regulation of economic activity and the use of resources. There are obvious economic limitations which are just as much of a barrier to real freedom as a prohibitory law would be. In the same way freedom of choice for consumers means merely a relative absence of authoritative, compulsory control of the type made familiar in war time. There are economic limitations which may seriously

<sup>1</sup> Schäffle: *The Quintessence of Socialism*, p. 40.

impair real individual freedom; and there are social influences of many kinds emanating from the group of which the individual is a part, which may make almost impossible a real freedom of choice.

Another way of expressing the difference between a formal and a real power of action is to say that all kinds of individual freedom have both negative and positive aspects. They are purely formal if they have only negative aspects, and are real and effective to the degree that the positive are present also. The negative aspect of freedom is that absence of authoritative control from without, which has already been noted. Briefly put, it means simply that there is no law against the type of activity in question, and that the assumption is that the individual will exercise his own initiative and judgment. The positive aspects of freedom involve questions of the actual field for the exercise of choice, the positive content of the formally recognized right, or the absence of practical limitations upon the individual's freedom.

There is perhaps no form of individual freedom of whose limitations and negative aspects we are so keenly aware, as in the case of our freedom of choice over consumers' goods. Like the formal freedom of the individual to engage in productive activity, the individual's freedom of demand is conditioned and limited. Primary among these limitations are those that are economic in character. The one the individual consumer would probably point out first is that freedom of demand is exercised only within the limits of income or purchasing power. The very institutional system which gives him formal freedom of choice imposes upon him this limitation. It is possession of purchasing power which gives a positive content to freedom of choice, and which gives the consumer power to "live out his individuality." This one economic limitation upon the expression of choices and preferences is so obvious and so keenly felt, that individual freedom in any real sense seems quite

formal and negative. Property controls: it is only owners who have real freedom of demand; productive energy is utilized to serve their purposes. Further, what is the effect of the producers' profit-seeking upon the "free" choices of the consumer? Although ostensibly the consumers can choose, are they not well-nigh compelled, by the advertising and selling arts of the producer, to follow his will?

These limitations are by no means the only ones upon the consumer's freedom of choice. Even with purchasing power one cannot buy everything, one cannot find all desirable goods upon the market; not everything that may be desired is responsive to price and comes to the market. There are the non-producibles, the non-transferables, and the non-commensurables, which either cannot, or have not yet, been translated into pecuniary terms. Only recently has it come to be said that health is purchasable. "Pecuniary valuation works through an established mechanism — and it can translate into pecuniary terms only such values as have conformed to the conditions of the mechanism." <sup>1</sup> All progress in the arts, all conquests of man over nature, all improvements in technical processes, add to the positive content and value of the consumer's freedom of choice. So also does expansion of the sphere of pecuniary valuation over the "higher values," moral and æsthetic worth, for example, and changes in social standards which enable new values to conform to the conditions of the market mechanism.

Then, what of the non-economic limitations upon the consumer's freedom of choice? Expressing his preferences, as he must, in market choices to be reflected in price, subject to the conditions imposed by the technique of production, coerced and obstructed by producers' attempts to lead him this way or that, with a range of choice limited by income or purchasing power, how independent are the influences which he brings to bear upon the course of productive oper-

<sup>1</sup> C. H. Cooley: *The Social Process*, p. 336.



ations? To what extent does one make "free" choices, develop himself according to his own ideas, live his own life, even within the limits set by purchasing power and the productive possibilities of the moment? Absolute freedom of choice is almost inconceivable even without the stern economic limitations mentioned. The consumer's standards and values, which he attempts to realize upon the market, are social products; he does not make them for himself, nor can he change them lightly or at will. What are the "means of life and culture" which he is to choose? They are the product of strong social forces: custom, convention, fashion, opinion.

The result is that no sooner does one say that under the present organization consumers have freedom of choice, than one must begin to explain and qualify the statement. It must be shown that the consumer's power is not per capita, but per dollar; that the producers take the initiative, that they seek to direct and control demand, and even at times to deceive and to defraud the purchaser. It must further be acknowledged that, from the standpoint of the individual consumer, his choices are bound by the limits of his income, by the producing possibilities of his time, made manifest to him by existing stocks of goods and their prices, and by the adequacy of the market facilities with which he is in touch. To understand the present-day problems of consumption there must be a survey of the way in which the present industrial system promotes the effectiveness of the consumer's power of choice, and of the practical limitations it imposes upon his freedom.

## CHAPTER III

### THE CONSUMER'S FREEDOM OF CHOICE AND THE UNEQUAL DISTRIBUTION OF WEALTH

CHIEF among the limitations upon the consumer's freedom of choice is that visible, tangible barrier set up by the size of his income. So keenly does the individual ordinarily feel this limitation that freedom of choice seems an absurdity, as he stands with slender purse before the markets of the world full of goods which he desires but cannot purchase. His whole economic problem could be summed up very simply under two heads: first, the irksomeness of labor; secondly, the restraints placed upon his desires, needs, and interests by his limited command of purchasing power. On the one hand, the individual consumer sees a fixed series of prices over which he has no control; on the other hand, he sees his money income, beyond which he cannot expand his range of choice. The problem of consumption often resolves itself for the individual into the primary problem, how to increase the size of his income. This seems not only the heart of the difficulty, but more nearly under his personal control than the existing price level, or the wants and purposes which are pressing upon him for fulfillment.

But the familiar situation just referred to must not be seen altogether as a reflection of inequality in the distribution of wealth. It is through the size of his income, joined to the necessity for continuous, sustained effort in production in order to secure it, that the individual faces the fundamental economic problem, the problem of scarcity. The limitations upon choice imposed by the size of the income are but the reflection of the general limitations imposed upon the realization of our interests and purposes by the

inadequate supply of economic goods, which are the instruments for their fulfillment. That is, it is through his income set over against prices, that the individual feels, under a pecuniary organization, the general limitations imposed upon consumption by the inadequacy of natural resources and the current technique of production.

When the individual consumer's grievance is stated in terms of the inadequacy of his income, not only the matter of his relative share in the social product is involved, but, also, all the problems involved in the absolute size and character of the social product. It is not only inequality in the distribution of income which the consumer is feeling through the limitations imposed by his purchasing power, but the effect also of the familiar *impasse* between human interests and the material modes of realizing them. There are two ways in which the real income of the individual, and thus his real freedom of choice, may be increased. One is by an expansion of the productive powers of society, a greater sum total of goods; the other is by effecting an increase in his distributive share, his money income. Both will increase his command over the means of self-expression and enjoyment. The first represents the general productive problem of society of which all individuals as consumers partake; the second is the distributive problem, the problem of relative shares, or claims to goods, with which the individual is so vitally concerned. Relatively narrow, indeed, is the range of choice of those with small incomes.

The individual is, in fact, quite right in regarding his consumption problem as an income problem. The distributive process is but a method by which the claims of individual consumers are adjusted. What is divided up may be called either income which may be spent or goods which may be consumed. Distribution is fundamentally a problem of consumption which arose when production and consumption were separated, when specialization and exchange became the order of the day. Who should, then, have the

right to say what goods should be made and the amount of each kind? Upon what basis should these goods, made for consumption to satisfy the wants of men, be proportioned and distributed among them? There necessarily was imposed between production and consumption this third process of distribution, which gives to each individual his claim to draw upon the social stock of valuables and secure goods for his own use. The determination of individual incomes, or rights to goods and services, by means of pecuniary valuation upon the market, is a substitute for earlier methods attendant upon a régime of status wherein each individual's rights and obligations were fixed by birth and custom. Any form of status by which economic rights are predetermined or controlled by authority, as in the case of slavery, serfdom, childhood, eliminates the necessity for an impersonal, systematic method of determining individual claims to goods and services.

The present system of distribution, then, with all its defects and absurdities, is a part, a by-product, of the whole institutional arrangement of the present economic order. The size of the distributive shares is a market valuation problem; pecuniary valuation determines the individual's claim upon productive resources to satisfy his ends and purposes. Consumer's shares, or claims to goods and services, are adjusted by the same machinery that places formal control of production in their hands. We go back to the same institutional background to get the explanation of relative incomes. By the operation of the same forces, set in motion by the same institutional arrangements, economic activity is organized and guided, and a distribution of income is effected, bringing riches or poverty, whichever it may be, to the individual concerned. Simultaneously and concurrently there is a productive process, a distributive process, and a consumptive process. All the activities involved are, under the present economic order, market processes, and result in a series of pecuniary valuations. By vir-

tue of these valuations, individuals as producers are told what and how much to produce, as sellers of goods and services are awarded their distributive shares or incomes, and as consumers obtain the goods necessary for carrying out their purposes and express their preferences as to further production. Economic authority to-day is located in ownership, in rights over goods which may be transferred to others. Purchasers, exercising the authority which income gives them, guide production; while producers, exercising similar authority over resources, organize and carry on business enterprises, and as a result incomes accrue which make their possessors potential purchasers.

The determination of income by means of pecuniary valuation has at least two important effects upon the process of consumption. Both are familiar features of everyday life; the one, the wide differences in consuming power which accompany inequality of income; the other, the influence of pecuniary emulation in shaping consumption standards. The fact that the individual consumer's range of choice is limited by the purchasing power of his income means a wide variation in the effectiveness of consumers' desires whenever there are great differences in income. Looking at consumers as a group, a very uneven fulfillment of their interests and desires is seen to accompany very unequal distribution of purchasing power. The course of consumption is far different in such a group from what it would be in one where incomes were more equal.

Great inequality in incomes necessarily affects the needs, interests, and purposes which come to be realized. A price controlled economy responds only to offers of purchasing power; it is notoriously indifferent to the urgency of the need, to the individual capacity for enjoyment or appreciation, and to human welfare. Productive energy will go, must go, into those lines which pay, and which pay best. This means, of course, that with inequality in income a disproportionate volume of goods and services flows



into the hands of a few people. A relatively small number may command the use of the major portion of the productive powers of society. In the United States in 1918, ten per cent of the population had the power to consume thirty-five per cent of the product.<sup>1</sup> But this is what inequalities in income mean; a large income means a large consuming power; a small one means a small amount. The inclinations and interests of the relatively well-to-do are "weighted"; they count for more than those of individuals with smaller incomes. Real indeed is the freedom of choice of those who can back up their desires with dollars.

The course that the consuming process is bound to take under these circumstances is evident, and the adequacy with which the consuming interests are met in such a society is inevitably thrown into question. Can the arrangements described result in an economic application of productive powers to wants? The answer to this question brings out some of the most unsatisfactory effects of great inequality upon social well-being. The results of great inequality in income are amazing in the lack of economy and efficiency with which productive resources are applied to the needs of society. It is a matter of course that some have luxuries while others lack necessities; that some have the "material means for life and culture," and others do not. Nor do the gains of the few compensate for the losses of the many. However measured, in satisfaction or enjoyment or in welfare, it is difficult to conceive that the "best" use of productive energy would not have been in meeting the needs of a larger number. The smaller number with the larger income have not only had more wants satisfied and all wants more fully satisfied, but less urgent needs are gratified, caprice and whim are met.

The conclusions of the economists are always the same. "The sum total of human well-being would be greatly in-

<sup>1</sup> W. C. Mitchell, etc.: *Income in the United States*, 1, p. 147.

creased if the rich became poorer and the poor richer. A transference of income would involve to the one class only the non-satisfaction of trifling wants, to the other the satisfaction of urgent ones.”<sup>1</sup> The waste of productive energy under a system of great inequality is appalling. “Among the wastes or costs involved in the use of productive resources to supply the articles of luxury and vanity should be seen not only the direct labor and material values of the commodity itself, but all the labor, time, and resources of the primary, subsidiary, and related industries. This withdrawal of productive energy from uses which would contribute more to social welfare and its use for unimportant purposes stiffens the price of articles of necessity and makes the struggle of the poor still harder.”<sup>2</sup>

The social costs or losses involved in unequal distribution are most apparent when the discrepancies in income are greatest, and when the incomes at the lowest level are insufficient to maintain the individuals even in physical efficiency, or to enable them to obtain the minimum requirements for decency and self-respect according to the prevailing standards. When the discrepancy in purchasing power spells disease, premature death, ill-nourished children, ignorance, crime, pauperism, degradation, society is bound to have some realization of the wastes involved in the way its productive resources are utilized. Sidney Webb writes, “An inevitable corollary of . . . unequal distribution is wrong production, the preparation of senseless luxuries whilst there is need for more bread. . . . The unequal value of money to our paupers and our millionaires deprives the test of ‘effective demand’ of all value as an index to social requirements; or even to the production of human happiness. The last glass of wine at a plutocratic orgy, which may be deemed not even to satisfy any desire, is economi-

<sup>1</sup> William Smart: *Second Thoughts of an Economist*, p. 76.

<sup>2</sup> *Ibid.*, p. 140, note. Summary of argument found in Hartley Withers' *Poverty and Waste*.

cally as urgently 'demanded' as the whole day's maintenance of the dock laborer for which its cost would suffice. Whether London shall be provided with an Italian opera or with two Italian operas, whilst a million of its citizens are without the means of decent life, is now determined not with reference to the genuine social needs of the capital of the world, or even by comparison between the competing desires of its inhabitants, but by the chance vagaries of a few hundred wealthy families."<sup>1</sup>

But the above is a theme of which hundreds of illustrations could be found. Quotations from countless sources in almost every conceivable literary form could be adduced to make it clear and vivid. There is the calm statement of the theorist that, "Production is ordered not according to simple want, but also according to wealth. It is, therefore, the distribution of wealth which decides how production is set to work and induces consumption of the most unnecessary kind."<sup>2</sup> The situation in greater detail and more concrete form again may be seen in the twelve volumes of Booth's "Life and Labor in London," or in similar studies where the earnings of the submerged tenth are translated into the mode of living they make necessary.

The same story is a favorite subject of fiction. Mrs. Gaskell, Charles Kingsley, Reade, and Dickens furnish examples, and poets, too, have often been moved to depict the economic contrasts of modern society. There can be no complaint of lack of information as to how the other half lives. The most detailed studies have been made of workmen's budgets, especially those of the lowest income group. The other side of the picture has not been neglected. Although to small extent a matter of scientific study, yet the mode of life, the activities, and the interests of those with inherited or acquired wealth are daily reported in the press, and most of the fiction of the day, consciously

<sup>1</sup> Fabian Tract, No. 69: *The Difficulties of Individualism*, p. 11.

<sup>2</sup> F. von Wieser: *Natural Value*, p. 58.

or unconsciously, plays up the contrast between their command over resources and services and that of the great majority.

Great inequality in the distribution of wealth means inevitably a disproportionate application of the productive powers of society to meet the desires of the few. In so far as this inequality is inevitably attendant upon, or augmented by private ownership, it must be regarded as one of the wastes of this institution. It must be regarded as part and parcel of the economy of the day, to be taken into account when estimating its significance for consumers. But this "weighting" of choices is not the only way that an unequal distribution of wealth, effected by pecuniary competition, influences consumption and the uses to which productive energy is turned.

Veblen has made us familiar with the effects of pecuniary emulation upon the form and content of our culture. His thesis is that the desire for distinction under current institutions takes the form of pecuniary emulation. Social stratification with "invidious distinctions" is based upon differences in wealth and income, and the élite, who set the pace and establish the standards for others to follow, are the well-to-do, the successful in pecuniary exploit. Pecuniary emulation colors and shapes our standards of success, of the worthy, of the desirable. Economic goods and services are valuable and desirable as symbols of success and distinction in the great game at which all are entrants. High pecuniary value in itself makes a good desirable. Consumption becomes a process of displaying pecuniary status and command over resources; it becomes a competitive process, each family seeing which can spend, or seem to spend, more money. The appearance of frugality, of saving, of economy is to be avoided; conspicuous consumption and "honorific" waste are the order of the day.

Everyday experience and observation will indicate the degree of accuracy in this analysis of current motives and

standards. Certainly there is no doubt that the canons of the necessary, the decent, the desirable which are incorporated in current standards of consumption and expenditure are molded in no small degree by the conspicuous spenders and wasters, by influences peculiar to a régime of pecuniary emulation.

A pecuniary organization, then, affects the course of consumption in a twofold way. As it increases the inequality in the distribution of wealth, the needs, preferences, and purposes of a few members of society are weighted to a high degree, and thus there is diverted to their service a disproportionate amount of social resources diminishing thereby their possibilities for contributing to human enjoyment and welfare. Further, even within the limits set by income, choices are made on the basis of non-social, irrational standards for which the widespread influence of pecuniary estimates is responsible.

It is interesting to speculate upon the probable changes in our habits of consumption if by some means a substantial equality in income could be attained. Communities have existed in which this condition prevailed, notably in pioneer America; and the general economic equality is undoubtedly partially responsible for the simplicity of the early standards of living. But these communities were so limited in choice by the undeveloped resources, the primitive technique of production, and the lack of trade and commerce, that it is difficult to isolate the results of economic equality alone. Further, the members of such communities belonged by tradition, early training, and cultural associations to very different groups, living in very different conditions. The early American colonists brought with them the cultural background of Europe, and the frontier settlers of later days carried with them westward that of the Atlantic seaboard.

But although it is difficult to illustrate from actual experience the effect of economic equality, and of that alone,



upon standards of consumption, yet it is easy to make some deductions as to the probable effect of its introduction into our society. A greater approximation to equality in income would be sure to bring a marked change in the demand for goods and service. There would be less desire to have goods merely as evidence of ability to pay. The absence of this criterion of desirability would change our styles of architecture, of furniture, of clothing, of ornament, and some of the qualities desired even in education, in food, and in personal service. Competition in consumption would presumably not disappear so long as the desire for distinction, the desire to excite the envy or approval of one's fellows, persisted. But this competition would necessarily be placed upon some other basis than ostentatious display of income.

The industrial effects of a change in the distribution of income would depend upon whether a leveling up or a leveling down had taken place. If there were no longer any large incomes as measured by present-day standards, some commodities purchased to-day in fairly large quantities by the well-to-do could no longer be sold. Those who had a peculiar need or desire might purchase a few, or there might be an increase in socialized consumption of those commodities beyond the reach of the pocketbooks of individual members of society. But the production of perishable, high-priced commodities, or those only suitable for individual use would probably dwindle or entirely disappear.

The price structure might be expected to alter in all sorts of ways. The price of some commodities would fall as the demands of the very wealthy for materials and labor fell off, and others for which the rich had supplied the demand, would rise because of the small scale of production now made necessary. Commodities that were by-products of the industries supported by the rich would disappear from the market or rise in price; the staples, or necessities, would experience a great increase in demand, and would either rise or fall in price depending upon conditions of

production. All sorts of variations are conceivable and probable.

The absence of relatively small incomes would also bring industrial changes. Who would then buy the cheaper grades of goods? Would the Woolworth stores continue to flourish? Would the purchasers of textiles reject "shoddy" and demand all wool? Would the demand for the cheaper cuts of meat, for margarine, for storage eggs, fall off? In short, to even up income would revolutionize industry and change the whole industrial structure of the country. Production at present is adapted to a given range of incomes as well as to a given range of needs and interests, and a complete readjustment in prices and in quantities and qualities of goods put upon the market must take place if there is marked change in either one.

Inequality in incomes, however, and a considerable degree of inequality, seems inevitable under almost any economic organization. At any rate, it is a marked feature of our own, and the question seems to be in order whether anything can be done to mitigate its undesirable effects upon the life and happiness of society. Does society wish to leave the division of the "material means of life and culture," entirely as it works out through the distribution of purchasing power? As a matter of fact, society has never gone so far as to refuse the bare means of subsistence to the individual without wealth or income. The basic necessities for physical existence will be given to him in the form of charitable aid upon humanitarian grounds. We dislike to see any one starving to death or without shelter, and in case of extremity are willing to relax the established rules for securing a livelihood. But quite aside from humanitarian considerations, might it not make for greater social well-being to correct some of the maladjustments in the consuming process and to lessen the uneconomical application of productive powers to wants which results from inequality in income?

All forms of "socialized" consumption remedy in part the difficulties attendant upon an unequal distribution of wealth. What is "socialized" consumption? At its broadest, it evidently means a common group-use or enjoyment of economic goods and their services, rather than an individual, exclusive use. Whenever this is possible the cost may be reduced to the point where those with small incomes may enjoy commodities and services not otherwise available. To many writers the term "socialized consumption" means only the joint use of such durable consumers' goods as pictures and other works of art, pleasure grounds, libraries, and museums. But the substitution of a public post and express service for the private messenger and stage coach, and the public railway for private conveyance were a socialization of consumption. The growth and development of all public utilities constitute a socialization of consumption, as well as the establishment of public schools and libraries, art galleries, parks, swimming pools, and golf courses. Through all sorts of associative effort such goods and services as these are brought within the reach of those to whom they would have been inaccessible except by socializing their consumption.

The common basis of all this socialized consumption is the fact that it furthers the use of these forms of wealth, it reduces the cost per person, and it makes it possible for those with either small or large incomes to enjoy the service in question. It is coming more and more to be considered undesirable and unwise social policy to allow any private owner, either of a producer's good such as a railway, or a consumer's good such as a collection of paintings or a spot of unusual natural beauty, to use it exclusively. It is well established in law that a "public utility" must serve all who apply without discrimination, and fairly well established in morals that owners of certain forms of durable consumers' goods should socialize their use.

With some forms of "socialized" consumption the state

goes even farther in the relief of those with small incomes and renders the service free of charge. Public works of all kinds, from street cleaning, garbage collection, and fire fighting, to schools, libraries, and concerts, are undertaken by the state for a variety of reasons. But all are "socialized" consumption, that is, a common service instead of a plant, equipment, and force for each individual. Some of these public enterprises, like waterworks, are undertaken to safeguard the quality of the commodity furnished, others to supply an essential service in a field unattractive to private capital, still others to secure revenue for the state. But another large group of public works exists primarily to provide certain essentials free of charge for those who would otherwise go without them because of poverty. In this group come schools, libraries, art galleries, concerts, hospitals, parks, playgrounds, swimming pools, etc. These are instituted, as we say, to give equal opportunity to rich and to poor. That is, the system of weighting the needs and interests of the rich is in part suspended. Each member of society is given a right to a minimum of these goods and services regardless of the size of his income. This action of the state in furnishing services free of charge to the public greatly increases the positive content of the consumer's freedom of choice; as far as it goes it removes the limitation imposed upon each individual by the size of his income.<sup>1</sup>

An important question of public policy is, How far should the state go in carrying on productive enterprises for the benefit of the consumer? This is sometimes treated as if the only problem involved were the efficiency of government operation as compared with private enter-

<sup>1</sup> No socialized consumption can of course give the consumer what he wants unless he wants the same as a considerable group of his fellows and is willing to enjoy it in common with them. The provision of public schools does not meet the desires of those who wish their children to attend "private" schools, or to be taught by some special method. Nor will public libraries and art galleries give each individual his own private collection of books or pictures.

prise, but other questions are involved. There is the further question, How adequately will private enterprise supply the needs and serve the interests of consumers? Also, are individual consumers sufficiently intelligent and informed as to their needs to secure the essential goods and services for themselves? And, finally, are the incomes of all classes sufficiently large to enable them to meet their minimum requirements? The essential needs and interests of consumers must be considered and minimum standards of consumption set up, before public policy can be formulated and a decision reached as to the limits of government undertakings.

In case it is found that the incomes of a considerable number are insufficient to provide for their recipients the tolerable minimum of medical services, or education, or recreation, or even of food, would it be wise public policy to meet the situation partially at least by free services? Should there be, under these circumstances, free hospitals and clinics, free lunches to school children, free art galleries, free theaters? On the one hand, there is the question whether this provision of free goods will not pauperize society and diminish individual initiative and responsibility. On the other, there is the question whether it is not essential for sound individual and social life that every one be supplied with certain goods and service in adequate amount and of proper quality. Is it not legitimate for the state to mitigate the undesirable effects of insufficient income upon the manner of living of its people?

Provision of free services is not the only way that society may lessen the dangers that come with insufficient income. There are other ways of placing rich and poor on more equal footing in their command over commodities. By price control, for example, and especially by price control with rationing, the state may bring some commodities within the reach of slender purses and may ensure to the lower income groups the amount requisite for health and effi-



ciency. Here again war experience has shown us that "inequality in reward (income) need not carry with it inequality in purchasing power in all departments of consumption. The advantage of the rich may be confined to certain luxuries and pleasures which are non-essential."<sup>1</sup> It need never extend to an exclusive command over essentials as well.

Price control is obviously not a device that can be used arbitrarily to increase the purchasing power of the smaller incomes. The prices of many commodities cannot be brought within the reach of slender purses. With others the setting of maximum prices may lead to a decrease in production and a shortage unless there had formerly been monopoly profits in the industry.<sup>2</sup> If this danger of shortage is met by a government subsidy to the producers it becomes a case as considered before of the provision of quasi-free goods at public expense. Price control is a device especially useful to secure an economical distribution of an inadequate supply of some commodity among consumers. The maximum prices that are set are designed to prevent or supersede a rise in price because of that shortage. When the supply of any consumer's good decreases while its users and their needs remain the same, some one must go short. The question is, Who is to be the one to go without — should not all share equally in the shortage?

Under our usual arrangements with an unequal distribution of wealth it is the consumption of the poor that falls off. The rise in price which results from the shortage eliminates from the market those with the least purchasing power. The result is that a very uneconomical distribution of the necessities of life may take place in a society with a very unequal distribution of income. The poor may not

<sup>1</sup> *Journal of Political Economy*, 1918, p. 146: J. M. Clark, "Economics and Modern Psychology."

<sup>2</sup> Sometimes it is necessary to protect the consumer against a threatened shortage by guaranteeing the producers that minimum price that will induce them to increase production.

have the quota of houses, of coal, of flour, of milk, or eggs, necessary for their most essential uses, while the rich may still be using them for non-essentials, and allowing waste through carelessness. But if prices are not allowed to rise in case of shortage, the burden is equally borne by rich and poor.

It is rationing, however, that divides the existing supply equally among those that need it. In the absence of such an arrangement which limits the amount that each one may purchase, experience shows that it is those first in the market who receive most of the supply.<sup>1</sup> Either the favoritism of the dealers, or a policy of first come first served, governs the distribution of a short supply in the absence of rationing. Those at the end of the line, those who are late to the market, go without. This is just as disastrous to the health and comfort of the community as an unequal distribution between rich and poor. Rationing must accompany price fixing if there is a shortage in some essential commodity.

Price control as a method of securing for all members of society an adequate supply of those commodities deemed essential, is obviously a difficult tool to handle without the most expert knowledge of the whole situation involved. As has been suggested, if prices are arbitrarily held down labor and capital may leave the field and a very great shortage ensue. The prevention of this by suitable subsidies or guarantees of returns to producers involves elaborate cost accounting problems and the setting up of standards of "fairness" and "reasonableness" for profits.

Another problem is to decide between quantity and quality. There are few perfectly standardized, homogeneous consumers' goods upon the market. There are brands and varieties of different qualities. The price fixed, if a flat

<sup>1</sup> Without rationing, the rich of course have the advantage that they can afford to buy more at one time and have facilities for storage. But the poor can be hoarders, too, to some extent, if they arrive early at the market.

rate, determines the quality as well as the quantity put upon the market. Which is better, to secure to consumers a large amount of a rather poor quality or a smaller amount of better grade? Some of the complaints as to the results of the price fixing in England were on this score. Thus it was said, "Agricultural laborers who drink enormous quantities of weak tea would gladly buy an inferior sort at two shillings and leave the gentry their softer and more delicate sorts at three shillings or over. The poor are not enamoured of the bacon that comes from America, and here the level price has driven the English bacon (of superior quality) out of the field. Cheese may be brought from Somerset or Cheshire, but the extremely small quantity irritates the son of toil, who if he takes cheese at all takes it in quantity. We fancy that the Government is mistaken over the tastes of the people, and that the latter like to be able to secure a high quality article for high days and holidays, the well-to-do classes meanwhile keeping the industry in the fine sorts going."<sup>1</sup>

But with all its difficulties and problems, price control is an attempt to maintain a social minimum, a standard of living, below which no class shall fall regardless of differences in purchasing power. This concept of a social minimum, a modicum of the necessities, decencies, and comforts of life, which shall be the right of all and available to all, is one that is appearing with some distinctness as the basis of other phases of public policy. It is a concept that appears whenever there is an attempt at an accounting from the social standpoint, the making of inventories, and the working out of profit and loss statements for the whole economic process. Then the question appears of the economy with which resources are being utilized and made to serve the consuming interests. If there is deterioration at the base of the social pyramid, if the lowest income groups are unable to maintain their economic efficiency, and rep-

<sup>1</sup> *The Statist*, January 18, 1919, pp. 92-93.

resent a plague spot of human misery because they have not the means to command for themselves the material basis for a civilized healthy life, some action would seem to be necessary.

It is usually proposed to meet the difficulties due to inadequacies of income by minimum wage legislation, and those due to the uncertainties of income by insurance. There are strong arguments that this is the proper way to establish the minimum standard of living.<sup>1</sup> This policy of guaranteeing adequate earnings puts the burden of supplying the minimum requirements for decent, healthful living upon the industries to which individuals are contributing their services. Further, it puts the individual's welfare in his own hands. Income only gives him opportunity; he must take the responsibility for making use of it.

A study of the effects of an unequal distribution of income leads to this concept of a minimum standard of consumption to which every one should be able to attain. When society establishes such a minimum, it is saying that in certain basic essentials there must be equal opportunity for consumption regardless of the way a "free" market valuation has distributed purchasing power. This is the root of the matter whether it is sought through minimum wage orders, through price fixing and rationing, or through provision for socialized consumption, free or at cost. But to establish a minimum standard of living we must know what the basic human needs are. Here is the real difficulty in formulating public policy. Can society with its lifelong experience in consumption say positively what are the minimum requirements for a tolerable life? Yet this decision must be made. A tentative theory as to human requirements and proper standards of consumption is the preliminary basis for fixing minimum wages in any trade.

<sup>1</sup> That there should be few living at this minimum level is, of course, the ideal of social policy. The establishment of the minimum is to be regarded merely as a safeguard against intolerable conditions.

A concept of the same sort determines the business enterprises the state takes over and runs "for the public welfare." When the state establishes free hospitals and free schools, it is pronouncing health and education primary values which cannot be left to the uncertainties of the distribution of individual incomes.



## CHAPTER IV

### THE CONSUMER'S FREEDOM OF CHOICE AND THE TECHNIQUE OF PRODUCTION

CONDITIONS of production place limits upon the consumer's freedom of choice. They determine not only how much he shall consume and the range of interests he shall realize, but they determine also what he shall consume, the very nature of the goods which he must use. The individual practices the art of living and seeks the material means to carry out his ends and purposes, within the limits set by the productive powers of his time as governed by the natural forces that have been harnessed, the natural resources that have been utilized, and the human skill that has been developed. Plenty or scarcity indicate the terms that mankind has been able to make with nature in the struggle for existence, and the opportunity given to the free play of the consuming interests. The positive content of the consumer's formal freedom of choice is determined primarily by the productive factors, and by the efficiency of their application. The Industrial Revolution was not only a revolution in production, but also in consumption. Its significance becomes apparent whether one studies the course of industry, or the changes in the habits and standards of consumption.

The changes which have come so recently into our productive methods and the characteristic features of the new technique, have received so much attention, and have been subjected to such detailed analysis and description, that they need only briefly be referred to here. The notable features of modern industry, which show themselves in concrete form in the instruments and processes of production, are the use of the power-driven machine, the minute

specialization with its accompanying standardization and the reduction of every process to a routine, the extensive use of capital in all its forms, and the growth in the size of the business unit. Since this technique developed in its present distinctive form and began to spread from one branch of the productive process to another, there have been many attempts to comprehend and state its significance for the various classes and institutions of society, the workers, the family, the state, the church. It was realized that life had been made over in almost every phase, and that new standards and new problems had come into existence, almost a new social order for which there must be new social policies. The special problem of this inquiry is, What did the introduction of this technique involve for individuals as consumers? Pecuniary organization, it has appeared, puts them in a position of formal control over the course of production. How does the method of production influence their exercise of that control and affect the modes of living which are the reflections of consumers' choices?

Those features of present-day methods of production which have especial significance for the consumer are as follows. First, the increase in output, which is the primary cause for the introduction of this new technique, made possible an expansion of standards of living and a broadening of the scope of consumers' choices which was almost immeasurable. In the second place, these methods of production carry with them a tendency to mass or large scale production. This means products which are alike and uniform. Machinery and routine processes mean, too, products which show no trace of the worker's hand or skill or other traces of human individuality. In the third place, specialization and exchange have meant a separation between the producer and the consumer.

This last feature has more significance for consumption and the consumer than, perhaps, appears upon its face.

Not only are most commodities no longer produced and consumed by the same person or household, but there is a wide separation in time and space between the producer and the consumer. As consumption has become a process separate and independent from production, it has become more and more a conscious process with its own interests and problems. The change in the nature of the consuming process has been especially pronounced, as it became by virtue of this separation a process of expenditure involving the use of money. It became thereby in one aspect a process of calculation. The separation between producer and consumer and the system of market exchange, have brought in their train the whole assembly of distributing and selling middlemen, the wholesalers, retailers, warehouse and storage men, the advertisers and salesmen who allocate and distribute the supply of goods. Relations between the consumer and the grower or the maker of the commodity may be completely impersonal; the identity of the latter entirely unknown to the user. All these features — impersonal relations, extensive system of middlemen and expenditure of income preliminary to possession of goods — are alike results of specialization and exchange, and the separation between producer and consumer.

Finally, the present technique carries with it results of significance for the consumer in that it has transformed the place in which he lives, and the conditions under which the modes of activity represented by consumption are carried on. Machinery, power, and the factory system have created the modern industrial city as the habitat for a large portion of the human race. City life, with all that involves for health, housing, recreation, with its unescapable by-products of smoke, noise, and crowds, is the inevitable condition imposed upon millions by the present "most efficient" methods of production. This is not chosen; it is a condition of life, a mode of living, imposed by the processes found most useful in production. Individuals as con-

sumers, must accept these limitations of environment, or buy for themselves, seclusion, air, sunlight, and cleanliness.

It is unnecessary to give statistical proof of the great increase in production made possible by the new technique. No feature of the current economic organization has been more emphasized than the efficiency of these new methods in increasing output. This increase in productivity is the gain which society secures to offset the losses and costs entailed by specialization and the use of power machinery. For the sake of gains as consumers, individuals consent to more hazardous and less interesting work as workers. It is in consumption mainly that society is expected to reap the benefits of the new technique; it was not established and is not maintained for the benefit of the workers as such. And upon the whole, the current methods of production seem to meet with approval. True, modern production has its peculiar hazards; it is monotonous, deadening, fatiguing. But even the most radical critics of the present order, who are most alive to its defects, would be unwilling to throw overboard the productive powers of modern industrial methods. They regard this power for productivity as, at least, a potential blessing. The defects lie, it is said, in our preoccupation with industry as an achievement, in our neglect of all interests but the pleasure of seeing the wheels go round, and in the pecuniary organization which distributes the benefits unequally, diverts production to socially undesirable purposes, and fails to provide against adverse working conditions.

Put in the most general terms the significance to a group of an increase in their productive powers lies in the choice that it offers among three possibilities. First, they may grow powerful by an increase in numbers without "pressing" upon the means of subsistence, or secondly, they may enjoy more leisure, or third, they may elaborate and expand their standard of living. The Malthusian theory of population was an attempt to show that society cannot in-

crease in numbers without to some extent sacrificing the other two possibilities; any one of these three goods must to some extent be sacrificed to secure another. There must be a choice, if not conscious and planned, then an enforced one.

The outcome of this conflict of interests has been complex and varied. Behind each possible course is the pressure of powerful forces; certain strong human interests would dictate the choice of numbers, others of leisure, and still others the expansion of consumers' goods in variety and volume. To satisfy all three would obviously necessitate a steady increase in productive efficiency. Only slowly and vaguely has realization of this situation emerged, and the deliberate choice of one or the other alternative begun. In the past there was a rather blind, haphazard adjustment, each force struggling against the others and reacting upon them. Malthus pointed out the stagnation and misery resulting from the attempt to support larger and larger numbers without regard to the satisfaction of these other interests. He showed, too, the way increase in numbers is checked by the operation of the forces which are directed toward the maintenance and improvement of the standard of living.<sup>1</sup>

However, it should be observed that the choice between these alternatives cannot lie altogether between leisure and an expansion of the standards of living; they are not mutually exclusive categories. Some leisure is a prerequisite for the cultivation of the art of living, for improvement in the standard of living. Leisure is itself a desirable good which must be paid for. It is a necessary condition for the devel-

<sup>1</sup> In discussing the nature of the adjustment which society makes among these conflicting interests it is necessary to point out the influence of the social organization. Class structure has typically been such that as numbers increased the pressure upon the means of subsistence came mainly at the lower end of the scale, while at the upper end a small, privileged class enjoyed leisure and plenty, and developed elaborate modes of living.



opment of all the modes of activity represented by consumption, not only for the intellectual and artistic interests, but even those material desires which may be the outcome of increased production. No considerable advancement in standards can take place without some increase in leisure; there must be a collateral development. In fact, the very desire for leisure is not a desire for inactivity, but for activity in non-productive directions; for activity which, in so far as it is affected with an economic interest, may be called consumption.

Advance in industrial efficiency means opportunity, then, for individuals as consumers. In so far as it is not thwarted by an increase in numbers, it offers the possibility of an expansion of standards of living, a broadening of the range of choice. It provides an outlet and mode of expression for all those interests which require economic activity, economic goods and services, for their realization.

How greatly the modern technique widened the range and extended the limits of choice for the consumer can best be seen by viewing briefly the situation under other conditions. In any sort of hypothetical individual economy, whether based upon "conjectural" anthropology or a Crusoe example, the individual's range of choice is obviously limited by the resources of the immediate environment and his own productive capacities. "Where an individual or a group consumes its own products, it is a slave to its own limited resources and its technical limitations."<sup>1</sup> The labor in common of the group and the division of labor between the sexes which characterized the economy of primitive groups were the first steps in broadening the consuming power of each member beyond that possible for the isolated individual.

When these devices of coöperation in production and simple division of labor were supplemented by the institu-

<sup>1</sup> W. H. Hamilton: "The Rôle of Money in Economic Organization," in Moulton's *Money and Banking*, pt. 1, p. 41.

tion of slavery, the consuming power of the group or household which commanded the results of the slave labor was greatly expanded. As Bücher points out, the principle of division of labor could be greatly extended within the Greek, Roman, and Carthaginian households with their slave members, and thus quite specialized and highly skilled trades developed.<sup>1</sup> Elaborate modes of living were possible for the class which was able to command the products resulting from this arrangement. The un-free and non-privileged classes remained subject to the limitations of the simple household economy. The marked difference in the modes of living of the different classes in Greek and Roman society may be readily explained on this basis. A relatively small group utilized the productive power of a much larger number whose consumption was arbitrarily kept down to the minimum, making possible a very elaborate consumptive régime for the privileged members of the group. In this connection, it should be remembered that there was little outlet for productive energy, or for the use of an accumulated surplus of time and goods, except in the production of direct consumers' goods. Opportunities for investment were limited. Labor was necessarily employed to a large extent in turning out goods to be consumed either immediately or through the course of years.

With the transition from slavery to serfdom, substantially the same condition continued. For the manorial lords, the heads of the feudal system, a considerable range of choice and expansion of consumption were possible. They commanded the services of a large household, and a group for the cultivation of the demesne; they received feudal dues in the form fixed by custom. Here, again, in medieval society was a small group which could highly elaborate its manner of living, existing beside another much larger group which was limited in its consuming power by the productive possibilities of its own household and the physical re-

<sup>1</sup> *Industrial Evolution*, p. 96.

sources at its command. Advance in industrial efficiency by a superior organization of group resources resulted in a surplus in the hands of the ruling classes. They became marked as a leisure class; ladies and lackeys made their appearance, castles and cathedrals were built; an elaborate mode of social intercourse was developed; the fine arts and learning were fostered.

But as compared with the present time, there were still great limitations upon the choices of even the superior classes. Smart says, "We should speak . . . guardedly of the riches of the old world. A careful examination of any old print would show that the most splendid processions of pomp and luxury in the Middle Ages were poor things compared to the parade of a modern circus on its opening day."<sup>1</sup> There had not yet come into being the "great co-operation," effected by specialization and exchange, which as Adam Smith pointed out made the accommodation of a "frugal and industrious peasant exceed that of an African king, the absolute master of the lives and liberties of ten thousand naked savages."

Exchange had, it is true, exercised its effect to some extent upon consumption from very early times. Exchange in the form of gifts, hospitality, and barter took place among the most primitive groups. The development of organized trade and commerce among the Greeks and Romans still further expanded the power of choice by bringing to them foreign wares. Down through the Middle Ages the insatiable demand for spices and silks and the strange goods of other regions stimulated and urged to a new growth trading enterprises at home and abroad in all the countries of Europe. The trading guilds, the overseas commerce, the fairs, the merchants, the growth of towns, the craft guilds, were manifestations of the growth of specialization and exchange. Their development was reflected in the manner of living of the times, as the consuming possibili-

<sup>1</sup> *Second Thoughts of An Economist*, p. 22.

ties of the beneficiaries expanded beyond the limits of the production of their own locality and powers. Nevertheless, the people of former times were meagerly supplied indeed, compared to the range of choice, and the variety of goods, made possible by the introduction of rapid means of transportation, the machine process, and modern minuteness of specialization. One need only refer to the classic examples of the commodities on the ordinary breakfast table, or the "accommodation of the most common artificer or day-laborer in a civilized and thriving country" to show the scope offered to consumption by the present industrial technique. The method by which individual claims to this increased product are established, and the sharing of its benefits among the different classes, have already been discussed.

Upon the whole there have been few to decry and many to applaud the results for consumers of the machine-aided, exchange method of production. Among all the criticisms of the present economic order relatively few are directed against the method of production *per se*. The system of distribution may be faulty, the productive powers may be turned to undesirable uses or manipulated for anti-social purposes, but these defects are due to the institutional system and pecuniary organization. Machinery and specialization may take from the worker interest and enjoyment in his work, and subject him to extraordinary hazards and fatigue, but for consumers the rewards are great. There are those, it is true, who preach the simple life, proclaim modern civilization a curse, and say that plainer manners and modes of living are essential for social welfare, but, upon the whole, the prevailing judgment approves of plenty and abundance in general, and our modern devices for making life longer and more enjoyable in particular.

The gospel of asceticism which survives to-day in some of our attitudes is, of course, diametrically opposed to the gospel of material abundance. There is a fundamental opposition between these two theories of social welfare.

Under the former, self-sacrifice and deprivation are goods in themselves, means of self-flagellation, to be supplemented at times by the hair shirt and the scourge. The interests and purposes of life are to be reduced to the minimum; life is to be narrowed down to a process of meditation and contemplation which involves little use of economic goods and makes little demand upon economic organization. Upon the other hand, the modern theory of individual and social welfare assumes plenty and abundance as its basis. This theory holds that deprivation and sacrifice are not goods in themselves, but only good as they involve a choice of a superior interest or more worthy purpose for a less worthy. It holds that welfare means fullness of life, a constant reaching out for new interests, the realization of a variety of interests; that life means activity and that a necessary basis for most forms of activity is abundance of economic resources. In other words, it maintains that most of the recognized positive goods of modern life make demands upon economic organization, hence there are grounds for general satisfaction with its increasing effectiveness.

In this connection some of the assumptions and implications of what might be called the gospel of "work and save" might be examined. There are modern preachers whose theory of welfare seems to be: Let each one apply himself with the utmost diligence to production, and save from his income the maximum possible, to the end that social wealth and income may increase at a rapid rate. Industry, thrift, saving, are the magic words of this philosophy, the goal of each man's endeavor. Industry and thrift are, in truth, fundamental to economic well-being, but if all men lived by the Golden Rule of the "work and save" philosophy throughout the generations, mankind would present a strange spectacle. All would be working to their utmost and investing to their utmost, while each strove to avoid accepting the benefits of another's industry, and the ad-



vantages of increased production. To make sense of the "work and save" doctrine, and to prevent thrift from becoming a menace that would convert business activity into depression, there must be some one who is willing to profit by the increased production, to expand the scope of his activities beyond the purely productive and to experiment with other values than the absolutely essential. There must, in other words, be a nice adjustment between industrial and non-industrial pursuits, between saving and spending. Industry and thrift cannot be made entirely ends in themselves, or pursuits the rewards of which are enjoyed vicariously. There must be some place in the scheme for consumption; that is, for the realization of the ends and purposes for which the whole industrial machine is set in motion.

But the consumer has an interest in mechanical, highly specialized production other than the volume of its output. The consumer is concerned also with the quality of the goods turned out. Is the machine-made article better, stronger, more serviceable, more pleasing to the eye, than the hand-made article, or is it the other way about? Did we sacrifice beauty for cheapness when we exchanged handicraft for machinery? Did we sacrifice individuality for cheapness when we exchanged unit production for mass production? To these questions it is difficult to give a categorical answer. With the machine has come such a variety of goods, so many entirely new and others so different from what had been before, that comparison is difficult. How can the products of a modern publishing house be compared with the hand-illuminated texts of the Middle Ages? Each is a "bundle of utilities" of which there is scarcely one in common. The machine, moreover, performs so many processes, turns out so many commodities, which were impossible for the unaided efforts of man, that comparison on the ground of quality is difficult.

With the machine, it is true, came the great influx upon

the market of cheap and ugly goods, short-lived materials, and articles, poorly made, and offensive to the cultivated taste; with the machine came all kinds of "shoddy," and the host of substitutes. The machine made these possible in that it reduced the time and labor costs of manufacturing to a point where it paid to work up cheap materials and to execute crude designs. But should this work to which the machine can be turned be considered typical of the machine process? Is the best that the machine can do inferior to the hand-made article? Is it the machine process itself which makes its product inferior, or is it the fact that its application and operation are controlled by the profit motive?

It is not the substitution of the sewing machine for the needle which in itself is responsible for ugly, poorly made, ill-fitting garments. The mechanical or routine process does not necessitate the use of poor material. Garments may be made from material of superior quality, skillfully designed, with first-class workmanship throughout, although scores are cut at one time and they are passed through the hands of several workers, using electrically driven machines. That is, it is not the process which calls forth the cheap grade product, but it is considerations of profit. But here we encounter an unavoidable first principle of highly specialized, large scale production; it is only applicable in making those commodities for which there is a large market. It is to secure this large market that the cheap goods are made. If shoes, books, cloth, and garments of expensive material and workmanship are saleable in large quantities they will be made by mechanical processes on a large scale, but not otherwise.

The claim to superiority for the products of a mechanical process rests upon the fact that such a product represents the maximum efficiency of each worker, and a relatively uniform and accurate performance of the task for which the machine is set. If the qualities desired in a com-

modity can be reduced to exact specifications capable of test and measurements, the chances are that the prize for excellence would go to the machine-made product. This is the case with those commodities which are themselves tools, or instruments for specific purposes; they lend themselves to the machine process and the machine turns them out true to the prescribed pattern. But in the case of so many consumers' goods, the qualities that are desired are not well defined, or are not definable; the standards are not exact and clear-cut. There are those goods, and those qualities of goods, desired for other than purely "utilitarian" purposes. In these cases the machine process and subdivision of labor, may not be applicable at all; extreme examples are the writing of books, the painting of pictures, and the composition of a symphony. In other cases it is questionable whether production can be turned over to a routine, mechanical process without a sacrifice of values. For example, should the ornamentation of any commodity, should any artistic work, be attempted by machine process? Ruskin and Morris said no, and that all such attempts were failures. To their minds nothing but the "utilitarian" and necessary work of life should be attempted by machinery. The decorative arts must be handiwork to have the "human interest" which is correlative with æsthetic value.

Morris laid down as a requisite of a work of art that the product "show obvious traces of the hand of man guided directly by his brain, without the interposition of a machine other than is absolutely necessary to the nature of the work done."<sup>1</sup> If this be the criterion of beauty, no machine-made product could be a work of art. The essence of the machine as distinguished from a tool is that thought and skill are transferred from the individual worker to a mechanical process which is carried on automatically. The product of such a process in no way bears the imprint of

<sup>1</sup> *The Lesser Arts of Life, in Architecture, Industry and Wealth*, p. 43.

the man who designed and made it; there are no evidences of individual workmanship. The handiwork of the skilled craftsman, on the other hand, gives to a high degree the sense that human patience, labor, and intelligence have gone directly into the work; there is pleasure in the workmanship displayed. It is true that human thought and labor are behind the machine product, but they are so scattered and so many degrees removed from the actual product that the same sense of appreciation is ordinarily not awakened.

Let us say, then, that the machine is necessarily restricted in its operation, and that it fails if applied to certain tasks. But shall it be said that within its realm its products are displeasing to the cultivated taste? Does the æsthetic sense suffer from the machine-made products which are designed and shaped with a view to the exact and adequate fulfillment of a definite purpose? Obviously not. Human intelligence is always appreciative of the good piece of work, the perfect mechanism, the perfect instrument, that which reaches its goal or is skillfully adapted to its purpose. The modern rifle is a joy to the sportsman, a veritable thing of beauty; it is a triumph of human intelligence and workmanship. What we object to then in machine work is its failure, whether it be a pitcher that will not pour, or an attempt at ornament that is ugly. The repute of the machine-made product suffers, too, from its association in the past with useless, tawdry articles, and from the pretence, the lack of truth and simplicity, of the utilitarian product of the machine. Our pecuniary standards, also, with their approval of the expensive *per se*, and disapproval of the inexpensive, have undoubtedly fostered the disrepute of the machine-made goods.

But there is another clause in the indictment of the products of a mechanical routine process. Routine production, the only production of which the machine and the minutely subdivided process are capable, turns out a stand-

ardized, uniform product. The economies of large scale production can only be realized at the expense of distinctiveness in the product. It is alleged that this uniformity of mass production, this reduction of commodities to a standard type and pattern, imposes an undesirable uniformity upon consumers; that the turning out of consumers' goods in wholesale lots, each one like unto the other, increases the monotony and drabness of human existence. There is a loss of individuality, a reduction to a dead level, and no satisfaction of the innate desire to be different. It is often assumed that this is tolerated simply because it is the only way to get goods cheaply and that we would each have our commodities different if we could. Individuality is sacrificed to cheapness.

There are several points that must not be overlooked before reaching conclusions as to this contention. In the first place, this new technique, in part at least, took advantage of an already existing uniformity in consumers' demand, and did not altogether impose uniformity. Rapid means of transportation fused together in one world-wide or nation-wide market all the consumers of a particular commodity.<sup>1</sup> A large scale industry could now supply them cheaply, whereas before each had depended upon a local market. These consumers previously may have been using like products although supplied locally on a small scale and in such cases all that has happened is territorial concentration of production. In the same way, already existing uniformities in demand are made manifest whenever consumers are brought together in a local market by the concentration of the population in cities. Large scale production can then be used to supply their wants where previously it would have been impossible.

Again, there are numerous examples where, as means of communication developed, the former "individuality of isolation" has given way to uniformity of choice. Individuals

<sup>1</sup> Bücher: *Industrial Evolution*, p. 192.



do, it is true, under certain conditions desire to be different, but under others they desire to be alike; they wish to wipe out differences; they show in some respects a marked tendency to imitation. The cheap products of the machine technique provided an unparalleled opportunity for this imitation. They met a widespread demand due to the breaking down of social and geographical barriers between groups. It cannot be said that the machine technique was responsible for the resulting uniformity and imposed it upon mankind. In the period of domestic economy when each household made its own products there were many examples of uniformity and a long continued adherence to one model. In their dress, for example, European peasant groups, and isolated, self-sufficient handicraft societies everywhere, show an adherence to an ancient and uniform standard which is in great contrast with the diverse and changing styles of our own day.

In the second place, those who argue that mass production limits the expression of individual choice are seeing only the uniformity of the product of a particular plant. They are ignoring the wide range of choice that may be possible between the products of different plants. As a result of modern methods of production, not only may a larger number of wants be satisfied, but there is a greater variety of goods which satisfy the same need and serve practically the same purpose. Common illustrations of this abound. Cotton cloth may be an example of mass production, but no one can complain because of uniformity or lack of choice either in weave, design, or color. Take almost any detail of our life, and greater possibilities of expressing individuality have resulted as a consequence of the modern technique of production. The variety in foods, fabrics, garments, furniture, books, magazines, all examples of large scale production, is amazing. Individuals need not all wear the same clothes, eat the same food, read the same books, live in the same houses. If they do, it is not through the compulsion of the machine process.

In the third place, it must be kept in mind that standardization of product and uniformity in consumption is in many cases desirable. There are lines where imitation is better than variation; where uniformity is better than expression of individuality. What is one man's meat may be occasionally another man's poison, but in many respects individuals fall into large groups in their requirements. Experience and scientific knowledge have in certain cases definitely demonstrated what is best for the end in view. This is true of all tools, implements and instruments; it is true in many cases from the standpoint of physical welfare. We deliberately foster uniformity, for example, in the feeding of infants; there is a wide campaign to discourage experimentation, and the too free expression of racial or individual taste in the diet. There is a broad field where exact measurements and exact routine and mechanical processes of production are desirable.

There is a field then for large scale production, where individuality and other values are not sacrificed to cheapness, and where in all respects the product is a superior and desirable one. Friends of the modern technique may well contend that it has broadened and not narrowed individual freedom of choice in variety as well as in volume of commodities. There are obvious limitations upon the application of routine processes. No sort of creative work can thus be done, and no variation or uniqueness in the product be secured. Where individual needs and interests are like those of a group, there is a field for routine, standardized production; where they are different, or when the individual wishes to experiment, there must be small scale production.

Whether the future will see the progress of large scale production into new fields, or a revival of handicraft and small scale operations in some lines is a difficult question. We shall see later the limited scope the individual has for experimentation and for departure from group standards.

He thinks with the group upon most questions; his values are social values. Definite requirements, the standard qualities which commodities should have for definite purposes, are coming more and more to be known; and this knowledge may be expected still further to decrease experimentation and variation. On the other hand it is to be hoped that senseless imitation, the irrational desire to be like others, will decline, that discrimination among values may take place and variety in individual interests and needs display itself.

There is no doubt that during the last century while the inhabitants of western countries were absorbing as quickly as possible the abundance of the new lands and new technique, they were most uncritical and indiscriminating; they took off the market in wholesale lots quantities of goods which were in every sense of the term misfits. They acted, says Sidney Webb, like a regiment of naked men who needed clothing too urgently to grumble that the standard sizes made all the uniforms nothing better than misfits. It might be said, also, that they were extremely keen to obliterate old class distinctions by zealous imitation of the symbols of aristocracy. Nor had they learned as yet, discrimination and judgment; they did not know exactly what they did want. They exercised their power of demand with all the folly of the *nouveaux riches*.

The introduction of the present industrial technique brought still other changes fraught with significance for the consumer. The very existence of a problem of consumption, separate and distinct from the problem of production, is the result of specialization and exchange. It was the modern technique which introduced into the process of "satisfying wants," the problems of choice, of expenditure, and of buying. These problems are a result of the separation between producer and consumer, of the fact that most of us produce goods which we do not use, and use goods which we do not produce.

When the producing and consuming units were one, an exercise of choice between possible economic goods necessarily took the form of an exercise of discretion as to what should be produced. The main problem then was, what can be made and how. The problem of choice, if there were any choice, was how best to distribute time and energy among conflicting needs and interests. As a matter of fact, the producing possibilities of such autonomous economic units were so few, the limitations were so well known, that choice — at least conscious, deliberate choice — could scarcely be said to exist. Production and consumption were both upon a strictly regulated, customary, well-standardized basis. The economic problem was scarcely ever: What shall we choose? but, How shall we obtain the recognized means of subsistence from the resources at hand?

But to-day with the development of a high degree of specialization and exchange, there are two problems involved in the satisfaction of wants. One is the problem of production which means earning an income by finding a job or starting in business; the other is the problem of consumption which takes the form of spending an income, of choosing goods upon the market. Now consumption is clearly differentiated from production; it is an independent process with problems all its own. This separation between the two processes has had an effect upon production as well as upon consumption. As production developed independently, it has seemed to those engaged in it an end in itself, an end accomplished when the goods were sold. Consumption has become only the formal, often forgotten goal — often regarded as a subsidiary process. Men have been satisfied with the size of the income earned, with the large output of wealth, without asking questions as to the ultimate outcome, the use to which it was put and the purposes fulfilled. They have forgotten that production is no longer the only economic

problem, that there is also the problem of consumption which is a problem of choice among a great variety of possibilities to which income is the magic key.

Consumption, upon the other hand, under the new conditions has been somewhat like sailing an uncharted sea. With the wide range of possibilities opened by the new technique, it would seem that there was opportunity for the development of habits and standards of consumption upon an entirely new basis. The earlier modes of living had been imposed from without by external conditions in a way that was no longer necessary. Here was a possibility of organizing consumption on a voluntary basis, of developing modes of activity hitherto impossible, of a conscious elevation of the standard of living, of an attack upon the economic problem from a new angle.

But the separation between production and consumption and the transformation of consumption into an independent problem of choice, has not immediately had these happy results. As Hobson points out, "Consumption . . . has been so much more passive (than production) in its character, so private and individual in the acts which comprise it, so little associated with sequences of thought or purpose, that it has hardly come to be regarded as an art at all."<sup>1</sup> While production has become a highly rationalized process, guided and controlled by the exact tests provided by the pecuniary calculus, consumption has been largely non-rational activity with little formulation of ends and purposes, guided by the vaguest of criteria and tests. There has seemed to be a dearth of standards for this new process. When it emerged, separate and distinct from production, there were no guides ready at hand. Consumption was bound to continue for some time upon the old customary, unstandardized basis. Only slowly and vaguely has it been recognized as a part of the whole economic problem of the individual, of the household, and of society. Mankind has been pre-

<sup>1</sup> *Work and Wealth, a Human Valuation*, p. 4.



occupied with production, tacitly assuming that the economic problem was solved if production went on, if income was earned.

The realization that consumption is an independent problem requiring its own standards is a necessary consequence of the interposition of expenditure between production and utilization. The requirement of expenditure makes it clear that there are definite activities after production is at an end. There is no satisfaction of wants if one merely sits passive with income in hand; there must be at least a delegation of marketing activity to some one else. Nor is consumption a purely individual and private activity in so far as it involves selection, marketing, and buying. The individual, as consumer, is brought into touch with the whole industrial and business world.

There is abundant evidence that expenditure and buying are more and more coming to be regarded as problems requiring skill and thought. The unit for which expenditure is carried on is still, usually, the household. The individual household continues to be the consuming unit of society, although to-day it is only for a few limited purposes the producing unit. Household economics concerns itself less and less with the decreasing productive activities within the household, but concerns itself with the new problem of choosing upon the market the goods which the family needs. "Clothing" is substituted for "Sewing," "Food" for "Cooking" in the curriculum; the study of budget making and the organization of the retail market replace practice in the household arts. The age-long division of labor between men and women takes a new form; the men of the household carry on some specialized productive activity and earn an income. The women plan and carry on expenditure; they spend the family income upon the market, and thus obtain command over the goods for family use. There is a fairly clear concept that family welfare depends partially, at least, upon how family income is spent, that

in addition to the problem of production, there is another, its necessary counterpart, of distributing the income among various purposes.

The mere mechanism of this process of expenditure, of resolving human needs and interests into definite choices upon the market, is affected greatly by the use of money. Formal exactness is introduced by the use of the pecuniary calculus. Budgets can be constructed, that is, systematic plans made for consumption over a period of time. Accounts can be kept to check and verify adherence to the plan; a definite and exact organization of consumption is made possible. In fact, the very use of money compels some organization, planned or unplanned. The limits upon consumption are expressed in definite, quantitative terms; needs and interests must in some way be compressed within these limits. The rationalizing effect of this necessary calculation seems inevitable.<sup>1</sup> Some standards must be applied and some policy settled upon. It would seem that gradually there must develop a rational scheme to govern consumption.

In addition to furnishing a calculus by which to organize both consumption and production, the use of money is of significance to the consumer in other ways. Income, the result of productive activity, becomes by virtue of the use of money, generalized purchasing power and a store of value. Consumption can be postponed; it can be spread out over an indefinite period without the loss of perishable goods, without fear of a diminution of the value for consumption purposes of the results of productive activity. It has already been noted that under other forms of economic organization, the incomes or control over goods and services which accrued to the privileged classes were neither a store of value nor generalized purchasing power. They were goods and services which must be utilized immedi-

<sup>1</sup> *American Economic Review*, vi, Supplement: W. C. Mitchell: "The Role of Money in Economic Theory," pp. 156-57.

ately. There was accordingly lavish immediate use of supplies, and the surplus of time and materials was turned to the production of durable consumers' goods, buildings, and ornament. When income accrues in the form of money, that in itself widens the range of choice. Consumption can be spread out over a period of time and there is no decrease in value, or danger of loss from a change in wants. Decision as to the use of the fund can be postponed, it may serve future needs which are yet unknown.

Specialization and exchange, then, have made of consumption a process of choice distinct from production, involving expenditure and calculation in money terms. The consumer must deal with the market mechanism. For him the efficacy of the productive factors in enlarging his range of choice is measured by the adequacy of the market agents and agencies with which he can establish connections. The consumer, accordingly, is greatly interested in the organization of the market and in the way market activities are carried on. From his standpoint the goods might just as well not have been produced if he does not know about them, or has not convenient access to them. The efficiency of the agencies which serve a particular consumer will determine how thoroughly he can take advantage of the opportunities that modern productive methods offer. These market agencies, the mail order house, the department store, the specialty shop, the corner grocery, constitute the last link in the chain, and if it is the weakest link, or if the chain does not reach into the neighborhood of a particular group of consumers, their possibilities for expenditure are correspondingly limited. The quantity of one's purchasing power is of no avail at the country cross-roads store, nor will it solve one's problems in large establishments, fully stocked with wares of all kinds, if the salesman is ignorant or indifferent. The consumer is vitally interested in the adequacy and efficiency of the organization of the market from which he must obtain his goods,

not only in the scale of their operations, and their accessibility, but in the methods which they use for displaying and selling their goods.

The attitude of the consumer toward almost the whole group of middlemen has often been, however, decidedly tinged with hostility. He has resented their existence and their profit; their operations have seemed to be of the nature of regrating and forestalling, and their profit his personal loss. The coöperative movement — that deliberate attempt upon the part of consumers “to supply jointly their own needs, and to combine for the more advantageous expenditure of their own incomes”<sup>1</sup> — reflects the dissatisfaction with the adequacy and efficiency of existing market agencies. Many attempts are being made to reorganize the market process, attempts upon the initiative of the “producer” who wants to eliminate the go-between and control the marketing of “his” product, as well as those initiated by the consumer.

It is by no means clear what, in each line of goods, is the most efficient and economical method of performing the services which the various groups of middlemen render. Competitive wastes are here undoubtedly large, and the advantages of large scale management and integration with allied processes are especially great. Experiments, new developments, a changing market structure, are the order of the day. With these experiments the consumer is much concerned, just as he is interested in improving the methods of growing wheat and cotton, in elimination of wastes in manufacturing, and excessive profits everywhere. He wants all services rendered as cheaply and efficiently as possible. But, whatever new arrangements and new relationships are worked out in marketing farm products, textiles, boots and shoes, ready-to-wear garments, etc., it seems obvious that considerable time and energy are bound to go into the distributive and marketing processes

<sup>1</sup> Sidney Webb: *Toward Social Democracy*, p. 17.

as long as producers and consumers are widely separated, as long as the consuming units, if not the producing units, also, are small and widely scattered, and as long as goods come into existence and go out again not in a regular flow, but by seasons, and in response to irregularly recurring waves of demand. The separation and diversification of these services, however organized, are but applications in this field of the principle of division of labor.

As a part of the whole marketing problem, the consumer is interested in advertising and selling methods and in the machinery by which he can make his preferences known and enforce them upon the course of production. Almost every one probably has been needlessly thwarted in securing a desired commodity by the lack of intelligence and the indifference of a salesman who for the moment was responsible for putting the would-be purchaser in touch with the resources available. Every development in the art of salesmanship which serves to increase the consumer's information as to the goods which are actually available at a given time and place and the uses for which they are adapted is a distinct gain to the consumer. The mail order catalogue has this one advantage over the retail establishment; it gives as nearly as word and picture can, information about the goods available and allows the purchaser opportunity to deliberate and select.

This suggests the positive gain which comes to the consumer from the remarkable development of advertising as a feature of modern selling and distributing methods.<sup>1</sup> In spite of the criticism heaped upon modern advertising methods, in the name of æsthetics, truth, fair dealing, and economy, in spite of obvious manipulation in the interest of private profit, the advertising of goods, the wide cir-

<sup>1</sup> The discussion of modern advertising and salesmanship as attempts on the part of the producer to mold and direct the choices of purchasers is taken up in the next chapter. Here it is only designed to show briefly the connection between modern methods of production and the development of advertising as a necessary aid to the consumer.



culatation of information about them, is essential to a system of specialized industry. It is the current methods of production that have made extensive advertising necessary in the interest of the consumer. As Sidney Webb points out, there would be need for advertising even in a coöperative commonwealth where there was no pecuniary competition nor seeking of private profit. It would be necessary, he says, in order to give the consumers effective freedom of choice, to bring new goods to their attention and to give them information as to the uses of the goods available.<sup>1</sup> "Advertising saves the energy of the buyer, if not of the seller. There is probably no more waste of energy in a community like ours than there is in the endless bargaining of simpler communities." "Advertising is a means of democratic appeal. . . . It extends enormously the individual consumer's range of choice. . . . It gives us a wider world to live in as regards our range of economic selection."<sup>2</sup>

An economic organization, then, which separates the consumer and the producer, whether it be a competitive, profit-guided régime or not, makes necessary middlemen of many kinds, makes necessary a salesmanship which is more than taking things from the shelves and wrapping them up, and makes necessary extensive advertising. Further, if the consumer's preference as to kind and quality of goods is to be made known to the makers, there must be channels of communication. When the grower, or the manufacturer, is not even known by name to the consumer, how can this communication be established? How can it be made untrue that, "Inferiority can effectually hide itself in anonymity," and "Superiority receives no recognition or encouragement"?

This latter situation is disadvantageous to both the producer and the consumer. The greater the ease with

<sup>1</sup> G. W. Goodall: *Advertising: A Study of a Modern Business Power*, Introduction, xiii-xvii.

<sup>2</sup> *Ibid.*, pp. 78; 82.

which the consumer can differentiate between brands and varieties, or can identify and describe the product which he desires, the greater is his power over the producing agents. The producer, too, under competition is eager to build up good will, and increase the sale of his product. From this has come the practice of establishing connection between the producer and consumer by attaching to the product some distinguishing characteristic, or mark of identification. If the commodity has no easily discerned difference from others, the manufacturer will resort to the trade-mark, the brand, the distinctive package. The power of the consumer to identify makes it easy to avoid unsatisfactory products, and to re-purchase the satisfactory. The trade-mark is regarded as a guarantee of quality from the maker directly to the consumer.

There has been much controversy whether the consumer places more reliance upon the manufacturer's guarantee or upon that of the dealer with whom he comes into direct contact and whom he may boycott if he wishes. The question is not whose word is better, the dealer's or the manufacturer's. In the case of the first trial of a commodity the dealer's guarantee would probably in most cases have more weight than that of an unknown manufacturer. But later the trade-mark or other means of identification makes it unnecessary to take the word of either. The consumer may test and decide for himself. He will ordinarily prefer the tried commodity to a substitute urged by the dealer who, though honest, may have different tastes or a different concept of what is "just as good."

To summarize, the consumer in many ways attained a new freedom of choice, a more positive and real freedom, by the introduction of the present industrial technique. Present-day methods of production meant for the consumer a vastly expanded range of choice, an enormous increase in the quantity and variety of goods available. Cheapness, however, has been secured in some cases by virtue of a

mass production which turns out only goods of a standard and uniform type and pattern. Exchange, the necessary result of specialization, has, moreover, differentiated consumption from production, and established it as a new process with its own standards and problems. The intermediate process of expenditure has been introduced with the use of the pecuniary calculus and money as generalized consuming power. Consumption, as a consequence, involves a marketing process the success of which depends upon the consumer's skill in handling the market mechanism, and upon the adequacy of the market agencies and the methods of selling, advertising, and identifying products which have been developed.

The introduction of the machine and the factory system has brought about one more change which touches individuals in their interests as consumers. By the use of the modern technique profound changes have come to pass in the place and conditions under which consumption takes place. "It was through machinery that the population was drawn out of cottages in distant valleys by secluded streams and driven together into factories and cities."<sup>1</sup> Living conditions as well as working conditions, were greatly changed by this new technique. Great cities were the product of modern industrial methods and city life became thereby a necessity for millions.

For an understanding of what city life has meant for consumers, for vivid pictures of the mode of life that is imposed upon city dwellers, one does not need to seek the printed page, although descriptions abound therein. Air, sunlight, and space become economic goods only obtainable at a heavy price. Dangers to health from infection and contagion are aggravated. Trees, grass, flowers, all the beauties of nature, disappear. Mankind must live in a crowd, in the vicinity of factories, in the midst of noise, of smoke and dirt. Ruskin and Morris saw and bitterly re-

<sup>1</sup> Arnold Toynbee: *The Industrial Revolution*.

sented the transition. To them these penalties which mankind was paying for power and mechanical devices were not worth the gains. "London," says Morris, "and other great commercial cities are mere masses of sordidness, filth, squalor, embroidered with patches of pompous and vulgar hideousness. Whole counties of England, and the heavens above them have disappeared under a crust of grime."<sup>1</sup> Ruskin presents indignant testimony to the same effect. In English villages, he writes, the chimes have been supplanted by the horrible noise of American steam whistles; silk mills and dye works have encroached on the cornfields and pastures, and rows of jerry-built cottages have sprung up where the orchises once grew. "Everywhere is an indescribable smokiness and dirtiness, more demoralizing than any tongue can tell, or mind conceive. It is the march of the times, and it will go on until all the sweet valleys are swallowed up in smoke. The results (of machinery) are rivers black with filth, and stagnant with foulness, wildernesses of toiling suburbs, and children robbed of their birthright of earth and sky."<sup>2</sup> Such is the dark background against which appear the positive gains for the consumer of the technical methods of production introduced in the last century.

<sup>1</sup> *The Lesser Arts of Life*, p. 172.

<sup>2</sup> *Fors Clavigera*, Letter LVII.

## CHAPTER V

### THE CONSUMER'S FREEDOM OF CHOICE AND THE PRODUCER'S QUEST FOR PROFITS

THE effect of the producer's desire for profit upon the scope and content of the consumer's power of choice is a question upon which all the evidence does not point in one direction. The facts of the case indicate that in certain respects the competition of profit-seeking producers operates to widen the consumer's range of choice, and that in other ways it tends seriously to abridge and limit it. Which way the balance lies must be a matter of opinion and judgment.

It is a fairly prevalent belief that consumers have a special list of grievances against the present economic arrangements of society. The complaint is constantly being made that in this case and in that, the public interest is neglected, and that the public is being exploited and robbed. The consumer has become accustomed to seeing himself depicted, in editorial and in cartoon, as the helpless victim of powerful interests. Now it is the meat trust, now the plumbers' union, which holds him at its mercy, and is extorting monopoly prices for a scanty supply; again, he is being plundered by a thieving horde called middlemen, or is about to die an untimely death from the poisoned food and drink with which some profiteer has served him. The very word "consumer" is coming to connote the man with a grievance, the one whom the profit system operates to despoil rather than to benefit.

It is undoubtedly true that the consumer is to-day beset by various difficulties which have their root in the producer's quest for profits. Industries are conducted for profit, and the producer in his zeal for gain may resort to



practices which are contrary to the interests of the consumer. He may, for example, combine with others to limit the supply and put up the price, he may play upon the credulity and ignorance of his customer, he may not only solicit trade but bring to bear extreme pressure to buy, he may substitute, adulterate, and carry deception from its more subtle forms to the grossest cases of fraud. The consumer's freedom of choice is obviously limited by such practices, and his effective control over the necessities of daily living hampered by their prevalence and successfulness.

Speaking broadly and generally, there are three ways in which pecuniary competition operates to the disadvantage of the consumer, to curtail and lessen his effective power of choice and to impair the quality of the goods forthcoming for his use. There are three major counts in the indictment which has been drawn up against the profit motive upon behalf of the consumer. First, there are those criticisms which can best be summarized under the sweeping charge of the socialists, that "Profit making runs counter to the doing of effectual work in every department of life," and that "All the good work is done to-day for some other motive than gain."<sup>1</sup> Secondly, there is the charge that consumers receive a faulty "education" of tastes and interests from profit-seeking producers, an education which directs their consumption into the wrong channels, even into channels which are dangerous and harmful. Some even go so far as to assert that it is producers who really control demand, that so skillful are the devices of the sellers that they actually determine what consumers shall buy, that freedom of choice is a myth and a delusion. Finally, as a third difficulty it is pointed out that the profit seeking which leads producers to try, at least, to guide demand, induces them to resort to deceit, fraud, and adulteration in order to get ahead in the competitive struggle. Taking it

<sup>1</sup> H. G. Wells: *New Worlds for Old*, p. 97.

all in all, this is a rather serious array of charges against the profit régime. Here is a situation that must be faced before any theories of consumption based upon an assumption of freely functioning consumers can be held valid.

The socialistic challenge of the efficacy of the present system from the standpoint of the consumer can be made so broad and sweeping as almost to refute itself. If it is true, that "Profit making runs counter to the doing of effectual work in every department of life," then there is scarcely anything more to be said for the maintenance of the present order. If profit making *per se* retards output and deteriorates quality, there is little to be claimed for it.<sup>1</sup> But is it true, as Wells maintains, that the "spirit of gain" is unalterably opposed to the "spirit of service," that the profit motive inevitably inhibits all altruistic impulses, all instinct and desire for good workmanship, that all work for the market is of inferior quality? Should it not rather be said that the profit motive, as such, has no bias in either direction, either for social welfare, or for social "ill-fare"?

We must not forget in this connection the oft-mentioned impersonality of the producing mechanism. The business nexus as Wicksteed calls it takes a notoriously neutral position upon moral, hygienic, and æsthetic questions; it gives the public what it wants; it assumes no responsibility. It is true that it will cater to vice or serve the ends of virtue, that it will furnish meat and drink, or poisonous drugs and frivolous trifles. This impersonality and neutrality, this readiness of response to either the powers of darkness or the powers of light, has manifestly great potentialities for harm. But this cannot be called in all respects a defect of pecuniary competition. It is but the corollary of the proposition that the present arrangement permits freedom of choice to individuals as consumers. Responsibility for the

<sup>1</sup> Whether the profit motive is the only, or the best, incentive to sustained intelligent effort is not now being considered.

use of productive energy is thereby placed upon the consumer, and the soundness of his judgment and standards becomes of great significance.

The position, then, that profit seeking hinders the doing of all worth-while work is subject to some amendment and qualification. It is true that every one who produces for the market must produce what the market wants; he can follow only within limits his own individual taste and judgment. This has its undesirable, but also its desirable features. To point out that the productive mechanism is impartial and will serve alike good and bad, is but to point out the consumer's power and responsibility and that his welfare lies in his own hands. All might agree with Money that "One of the saddest things in our industrial system is to see an ingenious machine worked by an intelligent man, and driven by an engine which is a triumph of human skill, exercised upon shoddy material." It might be agreed also, that "Rubbish making is our largest industry," that the "Average workman is so accustomed to working upon rubbish that he does not see the irony of it," and that "All but a tiny proportion of the houses of the country are furnished with rubbish, curtained with rubbish, and fastened up with rubbish."<sup>1</sup>

There might be, as was said, complete agreement with these statements and yet disagreement with their implications as to cause and remedy. Is the fundamental cause profit seeking? The immediate cause is, of course, the profit involved, but why is there, adulteration and fraud aside, an especially large profit in the making of so-called "rubbish"? Could other than a benevolent despot rule out the making of the "cheap and nasty" articles which presumably are the ones condemned? Further, is "rubbish" a term of such scientific precision that even a society organized by the "spirit of service" could eliminate it without schism and controversy? Our dissatisfaction with the current uses

<sup>1</sup> L. Chiozza Money: *Socialism and the Great State*, pp. 84-85.

toward which the profit motive turns production should turn against those whose tastes and interests have made such production profitable. Responsibility should be placed upon the circumstances which have led to false valuations and false concepts of welfare. It is not true that profit making is never, and cannot be, correlative with the line of true social advantage.

Responsibility for "rubbish" making cannot, however, be laid upon the consumer if it is true, as some allege, that purchasers are "educated" in these false standards by the producers, and that it is the producers who create demand and actually determine choices. This contention merits careful analysis. If the "wants" of consumers are created by producers, if the latter manufacture the desires for goods at the same time that they are manufacturing the goods themselves, our theories of choice must be formulated accordingly.

The possibility that producers manipulate demand, and control consumers' choices as a part of their profit-seeking activities, has its analogy in the political situation. Under a democratic organization ultimate power is theoretically lodged in the hands of the people, the voters. Each voter has freedom of opinion and action, and by the machinery in use, no official comes to power, nor measure into operation, except as he casts his ballot. Officials are theoretically the voters' agents carrying out their policies. In the same way, by the current economic organization, the consumer is ostensibly placed in a position of power. He "buys" goods on the market; he goes through the motions of a free exercise of choice. But in the economic as in the political order, we are not satisfied with the formal allocation of power and responsibility. Who has real power? Are the votes, or purchases, expressions of independent choice, or are there dictators and "bosses" who manipulate and control both the market and the political activities of the masses?

In the political as in the economic realm, there is much to indicate that the individual has little or no real power or control. In politics we see boss-ridden cities, with the wires pulled this way and that by clever politicians, a credulous populace swayed this way and that by a party press. Voters are passive, indifferent, helpless; the politicians active, aggressive, competing for control. Moreover, both the individual consumer and the individual voter realize to the full the limitations placed upon their freedom and how little their votes count. An individual voter cannot alter the result of an election nor determine public policy, nor can an individual purchaser change the existing scale of prices or alter the course of industry.

There is much to lend support to the opinion that the real "directors of social energy" are the producers, that they do quite completely control the consumer's choices, and that the freedom of choice which his position in the market would seem to give him is a mere form. In the first place, the present institutional system furnishes a motive, and a strong one, to producers for attempting to control or guide consumers' choices. The profit motive urges each producer to increase the sales of his own commodity and of his own brand. The price system puts pressure upon producers to manipulate demand, to influence consumers' choices. Producers do not merely consult the market and follow the choices indicated there, but they also try to influence it in their own interests. That is as much a part of their business, as industry is now organized, as it is to make the goods and offer them for sale.

It is extremely difficult to draw the line, and to say where the one activity, the purely productive, ends, and where the other, the creation of demand, begins. Profit may come by taking the market as you find it, or by making it to be what is consonant with your profit. This is a competitive order. Each producer strives to sell his goods in a competing market. This cannot be disassociated from active pres-



sure and influence brought to bear upon potential purchasers. Activity in this direction becomes greater and more pronounced with industrial development, as markets become more and more limited, and as competition grows keener. The heavy initial investment, the large "overhead" of the typical modern producer, seem also to call for heavy expenditures of money and energy to maintain and to increase demand. Thus there seems to be every inducement for producers to exert themselves to the utmost to control, each in his own interest, the consumers' choices. The attempt to control demand is an inevitable outcome of a régime of profit. To the individual producer there is no distinction between these and his other profit-seeking activities.

In the second place, there is abundant proof that producers as a class not only have the motive, but make the strongest attempt, each in his own interest, to control demand. The remarkable development of advertising and salesmanship bear witness to their efforts. Every purchaser knows the skillful tactics of the modern salesman; every member of the public knows the volume of modern advertising in which every device which can reach the eye, ear, or mind of man has been utilized to suggest, persuade, or force a purchase. Every business man must face the problem, where and how to advertise, and how to sell. Every student knows the increasing literature in books and periodicals, the tales of wonderful campaigns which have transformed failing businesses into dividend-paying concerns, and practical suggestions for opening the purses of purchasers. Scientific principles for creating demand and making sales have been developed. Study of commercial organization and marketing methods may well make us question whether the consumer has freedom of choice as to what he shall buy, played upon as he is by the compelling forces set in motion by the producer.

The third element in the situation which indicates on

the face of it that the producer is responsible for what is produced, is the fact that producers take the initiative; they alone are active in production. The immediate responsibility for what is produced must be theirs. The quantity and quality of goods upon the market at any moment are directly due to their judgment and business operations. Consumers' goods to-day are not made to order. Supply precedes demand, and purchasers select from what is supplied. It is the producer who discovers and utilizes new material resources, takes advantage of changes in the arts and sciences, and carries on the experimenting and pioneering that is back of every new commodity. Certainly the individual consumer under such a system feels that his freedom of action is only exercised upon terms laid down by the producer, and that the latter controls the situation. In many cases the consumer cannot wait nor can he boycott the goods offered. He cannot expect to have his individual taste consulted in details of workmanship or minor matters of quality. Further, even if he should make up his mind to try to enforce his own will there may not be any adequate machinery for giving voice to his protest. The producer may be unknown, remote, or difficult of access, and the consumer's infrequent and weak protest could only reach him as transmitted through a long chain of middlemen.

But it needs no elaborate argument to prove that under the present organization producers have the strongest motive and make decided attempts to control demand. The extent and degree of control that they are able to secure will depend somewhat, of course, upon consumers themselves, and the degree to which they yield themselves to the direction of the producers. Observation of consumers' activities and of the way their choices of specific goods are made shows much to corroborate the hypothesis of extreme control by producers. There is abundant evidence of the passivity and plasticity of consumers in the hands of the active agents of production. Consumers ap-

pear often to have no minds of their own; they are uncritical; they blindly accept the retailer's guarantees; they are credulous as to advertising promises; they act upon the crudest suggestions; they seem to enjoy being "fooled"; they will not take the trouble to investigate. To this state of mind should be added their lack of coöperation and organization, their ignorance of tests of quality, and even of what they want or need.

All these "things which are seen" seem to indicate that the tendency under the present system is for producers simply to take charge of the consuming situation and control it in their own interests. All that is necessary to place complete control of demand in the hands of producers is an extension of the knowledge of the art of "Making Him Buy."<sup>1</sup> It may well appear that the limits upon the power of the producer are narrow indeed, and that the consumer's freedom of choice is more an abstraction than a reality. Yet successful as producers are in influencing consumers' choices, the modes of living of present-day society can scarcely be explained *in toto* by the direction given to them by producers.

In many ways the producer's control over demand — what goods are purchased — is analogous to his control over price — what is paid for the goods purchased. To a casual observer it might seem that the producer does control and fix prices. He has the motive to set his own price, he writes the price tags, the consumer must pay what is asked. But a price structure made up in this way is, of course, inconceivable, just as is a system in which the producer determines absolutely how much and what should be produced. To assume that the producer controls consumers' choices is, in fact, to assume that he controls and fixes prices, since if demand is controlled, if it becomes a function of the effectiveness of producers' advertising and salesmanship, there is no independent factor, demand.

<sup>1</sup> H. C. Lawrence: *Making Him Buy*.

Each producer's market and selling price will presumably be a resultant of the working out of all the competitive forces in operation. Consumers, by this hypothesis, are mere puppets, pulled this way and that by strings in the hands of the producers within the circle of whose want-creating influence they fall. They go mechanically through their part of market activity with desires varying in number and intensity with the effectiveness of the advertising and salesmanship of the competing producers. Their purchasing power is distributed on a marginal scale drawn up on this basis. Producers have their "costs" of producing, and their "costs" of creating demand, these latter varying with the pressure put forth by the competitors for the same market.

But no theory of market price could explain the price structure which would result from this situation. How, for example, does the producer choose his line of activity under this theory? If profit is the guide, how is it calculated? What will be profitable or can be made profitable? Are there any limits? The nature of the guide to producers' activities becomes difficult to formulate. Why should producers choose different lines? Why should some produce food stuffs, others clothing, and others books, unless there are some principles governing consumption? Is it as easy to sell paintings and poetry as Ford cars and theater tickets?

But no one, no matter how absolute he has believed the producer's control to be, will follow such a theory to its extreme implications. It becomes a *reductio ad absurdum*. The discrepancy between wealth and social welfare could under this hypothesis be the widest imaginable. There would be nothing but the altruistic motives of the producers to bring them into harmony. If life and health were preserved it would be by virtue of the chance which sent some producers into the requisite lines. The inevitable conclusion is, that great as the producer's influence may be, he

works within limits and subject to conditions which are imposed, not only by his own resources and by the pressure of competition, but by the needs, interests, and standards of the consumers who constitute his market.

As a matter of fact, it is quite obvious that the consumer is guided by other forces than the suggestions of the producers, that his course of action is determined by many independent and interacting factors, the product of his total environment. It is absurd to suppose that the current social judgments as to what is healthful diet, correct dress, wholesome recreation, and as to what is proper and desirable in all phases of consumption, are all formed by the manufacturer or by the retailer. In this case as in much economic analysis, hasty and superficial observation may lead to false conclusions or half truths. The analogy between the theory that producers control demand and a theory that they control price might be pressed still further, for the relation of the producer to commodity choices is quite similar to his relation to commodity prices. On the face of it there is much to indicate that producers fix prices. The producer takes the initiative and sets the price in the western markets of the world. He wishes to set and to maintain as high a price as possible and is often, temporarily or permanently, in a monopolistic position. Further, his customers often cannot wait and are ignorant of the market. They cannot ascertain or govern any of the "cost" elements in the situation; they are urged and well-nigh commanded to buy at this price. Nothing can be imagined much more helpless than the individual consumer before the prevailing level of prices.

But we know that even the monopolist has only a limited and qualified control over prices. Only with the same limitations and qualifications can it be said that producers control consumers' choices. A re-survey of those patent manifestations of producers' activities and consumers' inactivities which so strongly suggest producer



control will show that there are decided limitations upon that control. Competing producers' activities may be shown to expand the consumer's range of choice, and the producer's task may be interpreted as seeking and finding the needs, preferences, and standards of consumers rather than creating them.

The activities of competing producers which from one angle represent an attempt to control consumers' choices, from another angle may be interpreted as offering more and more opportunities for choice. As a result the consumer is presented with alternatives for action which increase rather than narrow his range of choice. "Demand creation" is not a process altogether analogous to the molding of a snowman by children, a bowl by the potter, or the human figure by the sculptor. Not only is the raw material with which the producer works quite different, but other people, other forces, other instruments, are shaping and molding it at the same time as he. Individuals as consumers, are not blocks of stone or lumps of clay, but complexes of propensities, interests and purposes, wise and foolish, acquired and innate, the result of suggestions which have come to them from many sources. Profits lie not in opposing but in seeking out these impulses and interests and furnishing modes of satisfaction. Keeness of competition means that a diversity of ways is provided for realizing consumption purposes, accompanied by a strenuous attempt on the part of each producer to develop and stimulate the interest which his particular commodity will satisfy. The profit system furnishes a motive to producers, not only to control demand in the strict sense of the term, but also to interpret it, and to provide an outlet for the varied interests of consumers.

Just as competition and profit seeking which at first glance suggest the control of demand may be shown in many ways to strengthen the consumer's position, so also it may be maintained that the advertising and selling

activities of producers are evidences of the consumer's strength rather than his weakness. They indicate not only how strenuous is the attempt on the part of producers to control consumers' choices, but they indicate also how great are the difficulties and the obstacles of the task. Why is the marketing problem so complex? What are its most baffling and unforeseeable elements? It is the individual element in the shape of the consumer which is the uncertain quantity in all calculations. The very elaboration of the machinery of advertising and salesmanship, the amount of thought and energy demanded, indicate that the consumer is not as passive nor his psychology so simple as might be supposed. The consumer has "defenses"<sup>1</sup> and there is resistance to the pressure from the producer. This resistance is not only the counter pressure from other producer's attacks. If it were, advertising and salesmanship would be wasted effort indeed. As one producer increased his expenditure others would have to do so also, as rival nations in the race of armaments.

The nature of specific advertising problems shows the independence of the consumer. The value of each part of the advertising plan is tested, by its probable effect upon the purchaser. The question is, Will it strike the predominant motive — is it the right appeal? Does it connect up with the mode of thought and the current interest of this group and time? The whole technical discussion of advertising and selling methods suggests limits within which the producer works and conditions which he must take into consideration. They are mainly "limits" and "conditions" having to do with human nature. The book of rules for the business man is the psychology of advertising or of selling. The art may be described as finding out the fundamental interests and preferences and the current forms of interest of mankind. "A knowledge of the dynamics of human nature is required as an essential part of

<sup>1</sup> See P. T. Cherington: *Advertising as a Business Force*, chap. v.

advertising equipment.”<sup>1</sup> Advertisers must know the range of human needs, their relative urgency, the ways in which individuals and classes differ. They must know not only human nature in general but also what particular motives and values are in circulation. All this does not sound as if the consumer were clay in the potter's hands, but rather as if he were a bundle of interests of the most diverse nature with forces converging upon him from his total environment to direct and mold his choices.

There are many sides to advertising and selling activity. One is the control side or the attempt to coerce and direct; the other side, difficult to separate from it, is the attempt to inform, to display, and to bring a wide range of choice before consumers. The function of advertising has been said to be fourfold: to tell what the commodity is, to tell what it is for, to persuade to its use, and to tell how it may be identified. The control or coercion side of advertising and salesmanship is being less and less emphasized and the helplessness of the consumer less taken for granted, as business men experiment and perfect the process. There is good argument that present advertising and selling methods upon the whole make individuals more conscious of their consuming interests and more alert to the possibilities in choice which are presented to them, that they rationalize expenditure and consumption, and facilitate free experimentation in the necessities and conveniences of everyday life.

The fact that supply precedes demand, that producers take the initiative, as was conclusively pointed out by Bastiat long ago, only superficially indicates producer control. The initial supply put on the market is based upon an estimate of future demand; further increments are put out

<sup>1</sup> Tipper, Hotchkiss, Hollingworth, Parsons: *Advertising, its Principles and Practice*, p. 9. “Advertising is limited in its functions. Above all it varies with the attitude of mind of the consumer toward the products' associations.”

cautiously and tentatively, subject to market tests. Side by side with projects that have been launched and proved successful, should be placed those that have failed and ideas of promoters and producers that have never been realized because of unforeseen market conditions. It could even be maintained that advertising and salesmanship give the consumer greater choice in minor points of workmanship and quality. Competing producers have their eyes and ears constantly open to ascertain just such preferences and take advantage of them, for thus are profits made.<sup>1</sup> He who can add one to the bundle of utilities which every commodity represents, or subtract a disutility, gains by the process.

The possible inability of the consumer to suit his own taste when he presents himself at the market purse in hand and seeks the wherewithal to be fed, clothed, and sheltered, is not altogether to be ascribed to the machinations and autocratic power of producers. The individual does count for little in modern society, one vote or one dollar has but slight power over events. In order that the purchaser find what he wants on the market he must be one of a like-minded group. If he is different in taste from his fellows he must expect the inconveniences that come with the necessity of a special order. If the woman who wants "sensible" shoes cannot find them in the market, she need not blame the producer, but the irrational desires of her sisters. Our complaints should wax loudest when the demands of a minority group sufficiently large to yield a profit are not being represented in the quality and character of the goods that are offered.

If there is any line in which one would be inclined to say that the choices of the consumer are arbitrarily controlled by manufacturer and dealer it would be those commodities governed in their appearance by the current style. Especially in the case of women's clothing, we are accustomed

<sup>1</sup> P. T. Cherington: *Advertising as a Business Force*, pp. 89-90.

to hear that the fabric, the color, and the design are dictated by the producer. The salesman, it is said, tells the consumer what is being worn; nothing else is in stock and the consumer must take what is offered, willy nilly. It is a common belief that producers make profit by frequent and radical changes in style, and therefore foster and promote the vagaries of fashion. There is no denying that these style changes do occur, and that the individual must conform to the dictates of fashion, but is it the producers who are responsible for the phenomenon? How are the styles set?

The study made by Cherington of the marketing problem of the woolen industry is most enlightening upon this subject. His interpretation of the organization of this industry is summed up in these statements. "In both industries (woolen and worsted) the causal forces in the development of the productive activities are the wants and habits of the buying public." "The characteristics of the woolen and worsted industry are determined not so much by problems of raw material supply, or of cloth production, as by the problems involved in marketing the finished fabrics." <sup>1</sup> In discussing the structure of the market for piece goods he says, it is the consumer ultimately who decides what shall and shall not be.<sup>2</sup>

Cherington gives special attention to the way the styles are set in the fabric and design of women's clothing.<sup>3</sup> The style risk is the most serious problem with which the manufacturers of piece goods and of clothing have to deal. Far from it being their privilege to set the style, and to their profit to have the style change, he shows the course of fashion as something which is out of their control, something to which they must conform. They attempt to forecast it, but it delays their production, introduces risk, and has most demoralizing effects upon the market and the industry in general.

<sup>1</sup> *The Wool Industry*, Preface.

<sup>2</sup> *Ibid.*, pp. 153-63.

<sup>3</sup> *Ibid.*, chaps. XI, XII.



He locates the initial process in the setting of styles in women's piece goods with the couturiers or Paris designers, the reputed source of all styles. But, he says, they are not arbitrary dictators.<sup>1</sup> These designers are creative artists, trained experts, whose reputation rests upon their success in turning out a design which will be widely accepted. Of course, as they secure a reputation, they have wide influence and their designs are more likely to be accepted as authoritative and influence demand. "Each season every costume designer in Paris puts out a large number of new designs in the hope that among them there may be at least one which will have in it the elements of life."<sup>2</sup> What is necessary that a design be accepted? In the first place, the designer cannot create a style from nothing. "His power is less absolute than is supposed."<sup>3</sup> He must associate the design with something in which the public will take a live interest several months later. "What he is doing is making an effort to foresee what half of Christendom will be most interested in months hence."<sup>4</sup> This takes ingenuity and skill in estimating current values and current interests, in art, drama, politics, etc. In the second place, the designs must be accepted by fashionable people, the élite. They must be worn by Royalty, by a popular actress, or by models in public places. Then they are seldom accepted exactly as brought out, but are modified. A few will form the style *motifs* for general use. Out of a thousand designs, if fifty live, it is not considered discouraging.

The introduction of the style into the United States is much the same story. The adaptation of the styles, both design and fabric, for the American public is as important and precarious a proceeding as the original designing. The producer must hazard an opinion as to the future American demand and work out a forecast. Cherington takes up in

<sup>1</sup> *The Wool Industry*, pp. 164-65.

<sup>3</sup> *Ibid.*, p. 166.

<sup>2</sup> *Ibid.*, p. 168.

<sup>4</sup> *Ibid.*, p. 168.

detail the problem of the American manufacturer of woollens and worsteds.<sup>1</sup> "Mill Stylers" secure hundreds of samples of fabrics, study over them and then recommend those which they think embody the season's main tendencies. This forecast is based upon a study of the successes of the previous season, combined with new influences. The mill owner carefully sifts these suggestions. Eventually he decides which out of several hundred designs he will try.<sup>2</sup> He is obliged to decide how much he will modify or tone them down to meet American taste. He must calculate the speed with which they will spread. His decision must be from nine to twelve months in advance of the season for which it is intended. Even after all this preliminary process, he holds off production of novelty goods as long as possible, knowing that only a few of the designs he has selected to show the trade will have a heavy sale. "Just what determines the selling properties of a design remains a mystery to the wisest dress goods designer."<sup>3</sup>

If this is a correct analysis of what really happens in a situation in which above all others it is assumed that the consumer is helpless and the producer dictates, there is cause for a change in judgment as to the powers of the producer over demand. To understand the phenomenon of fashion, it is evident we must look beyond the producers. The cause of this cycle, this wave of imitation spreading from a center in wider and wider currents, and dying out as suddenly and inexplicably as it began, is beyond the ken of the producer, as it is beyond his power to control. He is keenly aware of it, he studies it, he anticipates it, he makes profit by it if he can and avoids losses, but he is not the cause and *deus ex machina*. This is, in the main, the relation of the producer to the other choices of the consumer outside the realm affected by fashion.

To understand, then, the course taken by consumption

<sup>1</sup> *The Wool Industry*, pp. 178-79.

<sup>2</sup> *Ibid.*, p. 178.

<sup>3</sup> *Ibid.*, p. 179.

one must go farther than producers' activities. The producers are the active agents, and all changes in consuming possibilities as they appear upon the market are initiated by them, but it is an experimental, risky process, dependent for success upon the will of the consumer. The position of the producer is such that he exerts a great influence over the market activities of ignorant, suggestible purchasers, who often do not know what they want, nor how to select it if they did. But consumers are influenced by other forces than those set in motion by the merchants who have goods to sell. Individuals, as consumers, are in their propensities, their interests, purposes and scale of values, products of a diversity of forces converging upon them from their total environment, past and present. The producer works in and with this situation; his problem is to analyze it correctly, and to turn it to his advantage if possible. To solve the problem of consumers' choices we must seek for other explanations than the pressure brought to bear by producers. There is no single factor that explains this phase of human behavior; it is shaped and made what it is by all the varied forces which determine individual attitudes and values.

It is evident, however, that the blame for the production of the shoddy, low-grade goods which come upon the market cannot be laid upon the consuming public in those numerous cases when deception is practiced, when defects are concealed, and the purchaser unsuspectingly acquires an article of inferior grade. "Rubbish" making is exceptionally profitable for the producer when the goods can be sold not upon their merits, but upon the repute and at the price of superior grade. This is the seamy side of pecuniary competition, that it fosters such practices as these and creates for the consumer such a serious marketing problem. It is the desire for profits which leads to the attempt to reduce costs by harmful adulteration, or by deceit and fraud. When honesty is the best policy the consumer is safe, but

when it happens not to be the best policy the safeguards of the consumer's welfare are meager.

A catalogue of the familiar frauds, substitutes, and adulterations would cover almost every article of everyday use. All beverages, practically every foodstuff unless it be fresh fruits and vegetables, houses, furniture, clothing, furs, drugs, medical services and supplies, are liable to impairment of quality and misrepresentation by false and misleading statements, or half truths. Their inferiority may be ingeniously "camouflaged," their composition and true character concealed by misleading names or labels. The methods detrimental to the consumer which the maker or dealer may find it profitable to use in order to realize the largest net profits in his transactions are various to the extreme. There are short weights and measures, the use of harmful preservatives and coloring matter, the use of inferior materials, the subtraction of valuable elements, and the sale of imitations from the classic cases of wooden nutmegs and gold bricks, to cotton mixtures sold as all wool, dyed rabbit skins for sable, and hayseed and turnip mixture sold as raspberry jam. The activities which result in swindling the purchaser to some degree, range from the simple methods analagous to watering the milk to the complicated methods analagous to "watering" stock.

An attempt to compile a comprehensive list of the circumstances which result in regret for a purchase and a wish for the money back, will show, however, that it is not a simple situation with a single cause and single remedy. No marketing arrangement can forestall changes in desires and interests, or prevent second thought proving more wise and prudent than first thought. If the commodity does not come up to expectations, if it does not yield the results anticipated, or does not last as long as was expected, it does not necessarily follow that the consumer was deceived or defrauded at the time of purchase. There may, indeed, have been actual fraud on the part of the dealer, deliberate

misstatements for the purpose of misleading and deceiving the purchaser. But actual fraud is probably the most uncommon of all the causes for dissatisfaction on the part of the purchaser. Gradually the cases which are clearly fraud approach the border line, and shade over into another category where the seller has made no misstatements, but where the implication of his statements is deceptive, or where the facts most important to the consumer are left unsaid. Here would fall that class of deceptions commonly called adulterations, the use unknown to the purchaser of harmful or inferior ingredients or substitutes, and the offer for sale of commodities which fall short of the accepted standard for cleanliness, purity and general quality.

This group of cases again shades off into still a third group, where the responsibility for the mistaken judgment of the commodity is more clearly the consumer's, or where, it may be, the producer uses more subtle methods to create a favorable impression, and ward off doubts as to quality. It cannot be said that these commodities are adulterated; there is no concealment of their ingredients or of the conditions under which they are produced; they do not pretend to be other than they are so far as genus is concerned, but their quality and serviceability is another question.

Patent medicines furnish a good example of the commodities in question. The bottle may be properly and truthfully labeled, and the consumer may be fully informed in regard to the ingredients. But it may happen that the prospective purchaser is more interested in the glowing testimonials of those who have tried the remedy than in the information on the label. To these words of praise from satisfied customers the maker and dealer invite his attention. They form the substance of every advertisement and of the descriptive material upon the package. Upon the basis of this evidence the consumer purchases, but finds the mixture without efficacy for his ailment. Can it be said that he was misled, although neither scientific analy-



sis nor his own trial of the mixture reveal any medicinal value?

Again, take a simple transaction like the purchase of a cake of soap. There may be no concealment of any essential feature; the advertisements may say mainly that it floats, and it does float. If the consumer assumes that it floats because it is pure, or especially superior, rather than because it has an unusually large percentage of water content, is the manufacturer to be held responsible? These illustrations may be considered more or less typical of a very large number of commodities. No fraud can be charged, no adulteration, no marked concealment, yet the consumer purchases under a mistaken concept as to quality, often derived from truthful statements as to the characteristics of the commodity.

This is the situation which the purchaser must face in a profit-guided economy when he makes his selections upon the market. The man with whom he deals may be tempted to defraud him in the crudest way, by short measure, or downright misrepresentation. Or it may be the dealer finds it policy from a financial standpoint to withhold from him essential information about the commodity he is purchasing, or to allow him to carry away a commodity which is unsuitable for his purposes, or is other than he deems it. *Caveat emptor*; these things he is supposed to discover for himself. He may be given access to the commodity, allowed to examine it for himself without comment from the seller, or he may be given selected bits of information from which he may deduce what he pleases. It is obvious that any consumer who approaches the market, desiring the whole truth and nothing but the truth about the commodities offered there, can in few cases count upon getting both; he may have the latter, but seldom the former.

Such are the dangers and difficulties which the producer's quest for profits presents even to that consumer who knows in a fairly specific way what he desires to find in the mar-

ket. Whether he is seeking a safe investment, insurance, an old master, an oriental rug, a mahogany desk, milk, coffee, a woolen coat or a cure for rheumatism, he must, at the best, choose warily or he will find that he has not what he sought. But from consumers with desires and purposes that are fairly specific, we pass on to that large group, who, in some of their expenditures at any rate, do not know what they want except in the vaguest and most general way. They want clothing that is "stylish" and becoming, houses and furniture which are "correct" in taste, and will meet the standards of those who do know about such things. That is, they want what is good and desirable, in general, with little notion of the specific requirements involved. What the profit motive does for this group is to furnish them with a liberal "education" at the expense of the makers and purveyors of commodities. The latter offer through their advertisements, their window displays, and their salesmen, information as to what, specifically, is good and desirable.

No doubt in many cases producers could claim with some truth that they have been a wholesome educational force, and have raised the standards of health, hygiene, and artistic taste. But, unfortunately, there are no safeguards against results in the other direction. It may be just as profitable to play upon human weakness, to cater to low tastes, and to appeal to unsound motives as the reverse. This reveals a constant danger for the consumer. There is always the possibility that the "education" furnished by the producers may be actually harmful because it is profitable to influence consumers' desires in this undesirable way. But the danger lies not alone in the producer's lack of moral standards with reference to the service or goods which he furnishes; it lies in his ignorance as well. Producers are not necessarily moral, æsthetic, or hygienic experts; they have no special qualifications to pass upon the qualities of commodities; they cannot speak with authority

as to what is good and what is bad. Yet they do unquestionably form in large part the tastes of the consuming public. There is great danger of unwise expenditure in a régime which permits the education of the consumer to be carried on by the ignorant and the unscrupulous, and encourages each producer to play up to the utmost the merits and allurements of his particular product.

It has already been suggested that it is difficult to draw the line on a causal basis between the various ills to which the consumer is exposed in a competitive, profit-seeking society. When has he or has he not a just cause for grievance and complaint against the producer? Which of the misfortunes from which he may suffer in his marketing activities are but the risks and wastes of the exercise of free choice, a desirable gaining of experience, and which the pernicious operation of the spirit of gain? Imperceptibly, step by step, legitimate activities merge into illegitimate, and a wholesome arrangement permitting free play of individual interests into a dangerous situation in which the purchasing public is ensnared and led astray.

It has been noted, for example, that if freedom of choice is permitted, a profit-guided economy may result in undesirable uses of social resources, in the production of "rubbish" and of harmful commodities. But this, it was said, may not be a defect of the system *per se*; it may be merely a result of existing consumption standards and the forces which shape them. However, closer examination of what is going on in the business world shows that this producing mechanism is not altogether passive, producing what the public wants without attempt to modify or change. The very fact that supply precedes demand, that producers take the initiative, that competition prevails, leads to the attempt to control and guide demand, and opens the doors for the faulty unsound education which was referred to above. This is clearly a danger of the profit régime, but how prevent it? How draw the line between advertising

and selling methods which broaden the range of choice and further the interests of the consumer, and those which are detrimental to him?

The profit-seeking activities of the producer do not cease with the persuasion, suggestion and inducement which, after all, are inseparable from salesmanship. The same motive which leads to the strenuous "pushing" of goods, and the attempts at "demand creation," leads over the border line to the sale of commodities which do not measure up to the standard, to substitution, to false implications in advertisements, to false labeling, to adulteration, to fraud. Here again the extremes are quite distinct, but, if a complete "array" of selling activities were made, the differences between them would appear to be largely differences in degree. It is difficult to draw the line between cases which may properly be called adulteration and those which are substitution. It is difficult to draw the line between cases of fraud where the purchaser is told falsehoods, and cases, where his financial loss is just as great, but where he is told only half the truth, or where nothing at all is said about quality, but it is a matter of inference.

Again in many cases, the truth is relative and a matter of judgment. Even when it is good policy to tell the "truth" about each commodity as, for example, in the case of the mail order house, it is a difficult matter. How tell the truth without disparaging the article? What is the positive truth which will induce a purchase and not mislead as to quality? How differentiate nicely between a nine-dollar serge dress and a twenty-five dollar one so that no purchaser will be deceived or dissatisfied? All things considered, it is difficult to draw the line between the goods which the consumer would not have bought if he had not been deceived, and those he would not have bought if he had not been foolish. It is but a step from the use of suggestion and implication, exaggerated statements, only relatively true, to actual misstatement and fraud.

The vexed question of legitimate and illegitimate selling practices is still further confused by the weakness and ignorance of the average consumer. The difficulties noted are undoubtedly aggravated by his inability to make wise choices and to bargain shrewdly with the producers. Monopoly and competitive wastes, he is not, of course, responsible for, but the dangers of the guidance of demand into undesirable channels, and the dangers of substitution, adulteration, deception and fraud, would be immensely lessened if the consumer were intelligent, and awake to his own problems and interests. The active producer's control over demand is manifestly great if the purchaser is passive and inert, without good standards and exact standards by which to guide his expenditure. If the consumer displays no initiative, does not apply the logic of common sense to the producer's appeals and statements, has no independent standards of his own, makes no tests, the possibility of a faulty education by the producer is great as are also the possibilities of deception, adulteration, and fraud.

There is a striking contrast between the individual as consumer, and the individual as producer, in the clearness with which he defines his problem and in the care and precision with which he organizes his activities. Business may be a science, demanding and receiving an absorbed attention from its devotees and a constant effort for improvement. The conduct of business affairs can be reduced to principles; it has a definite end, and each operation can be measured in terms of that end; there is an exact test of efficiency. Hence business policy can be formulated rather definitely, and followed with some exactness. The consumer, however, has no definitely formulated policy, no clear-cut ends. Often it would be impossible for him to describe specifically what he is seeking in the market. There is no exact standard or test for most of the things that he buys, no measure of their suitability for his purpose; there is no criterion for success.



In other words, consumption is largely non-rationalized; the consumer does not know what he wants in such a way that he can select it with exactitude when it is displayed upon the market. This is not to imply that the consumer, as such, has no standards, no habits, no purposes which he is desirous of carrying out. But it implies that he must translate his longings and desires into "goods" of definite shape and form. For this he has no exact standards and no common denominator except price. A trial and error method is about the best that can be hoped for.

It is obvious that the more general and vague are the consumers' standards and aims the more easily the producer can control his demand and guide it into specific lines. The book agent can sell the old farmer an encyclopedia of universal knowledge in one volume, because, although he wants wisdom and information via the printed page, he has no means of discrimination or of discovering the proper instrument to serve his purpose. For the same reason, the seeker after health without the rudiments of medical knowledge, buys freely of patent mixtures, and the family trying to beautify the home, "decorate" the parlor floor with a red and green atrocity called by the dealer an art square. Examples are legion. Most of the rubbish, the production of which Wells so deplored, is sold to meet demands of this sort.

It is undoubtedly a horrible waste of resources but are the purchasers swindled? A modicum of more exact information, more expert knowledge, and more cultivated taste, would have adequately protected the purchaser in every case. Unfortunately, many of the purposes which consumers seek to carry out upon the market are general and vague. Health, comfort, convenience, enjoyment are the ends of consumption, but what do these mean in concrete goods? We have few really exact standards in any line except food. There we may seek so many calories, but what are we seeking in the case of clothing, housing, furniture, recreation, etc.?

Furthermore, the consumer is often unable to select the commodities which will meet his requirements even when their desirable qualities are fairly well known to him. The reasons for this are at least three. In the first place, there is a scarcity of objective tests of the quality of consumers' goods. They can in some cases be weighed and measured, or will lend themselves to chemical testing or physical analysis. But such objective tests are being developed only slowly, and are applicable only in a relatively small field. So many commodities which consumers use are "bundles of utilities"; they serve not one purpose but several. Even use may not reveal their defects. There may be a vague feeling of dissatisfaction, a feeling that an error in judgment has been made, but it is impossible to state exactly what the commodity lacks, or what qualities are objectionable. Purely "utilitarian" commodities, tools and instruments which serve a definite purpose, will quickly demonstrate their quality and efficacy to render service, but few consumers' goods are in this category.

Objective tests are by no means entirely lacking; in various lines there has been a notable development. The growth of the physical sciences has furnished the means of analysis, and the development of physiology and the increased understanding of definite human needs, have made possible the scientific detection of injurious substances and the establishment of minimum standards of quality. It might be said that whenever commodities cease to be desired as symbols, but are directly used as means to an end, their desirable characteristics can be stated with scientific precision, and tests devised to detect their presence or absence.

But the consumer's problem is not solved by the mere existence of tests of quality; he must know and be able to apply them. Many of the reliable tests which the trained expert knows and applies are unknown to the individual consumer. Each consumer uses such a great variety of

commodities that he can scarcely be fully informed with reference to all of them. One cannot be an expert buyer of the host of commodities that the consuming unit, the household, requires. But it is not ignorance alone which is the barrier to the consumer's use of such tests of quality as there are. Another obstacle is the small scale of his purchases. Whereas it would pay the large scale purchaser to acquaint himself with all the tests of quality and to apply them, the consumer may rightly feel that for him it would be a waste of time and energy. The purchaser who buys for himself, individually, or for a single household, can neither command the information about the great variety of commodities which he buys, nor would it pay him to undertake elaborate tests and experiments for his small scale purchases. It is often felt to be a waste of time and energy simply to check weights and measures. The specialized buyer for the large concern may avail himself of all existing scientific knowledge concerning the materials and equipment which he buys, but the individual consumer is in a different situation.

One result of this disadvantageous situation of the consumer with reference to tests of quality is that he falls back upon price as a criterion of quality. He buys the most expensive article in the hope that he is showing a spirit of true economy and getting quality. He is afraid to buy the inexpensive commodity because the price may indicate inferiority. This means that at times he loses a bargain because of his failure to detect quality irrespective of price. It means too, that the producer must take account of the situation in his price policy. He cannot afford to reduce prices or to make them too low or his sales may fall off. The best mode of competition may be to raise prices, and create a fictitious appearance of superiority. This principle, that it is not always the lowest price which brings the most sales, is well known, and business policy is based upon it. There must be experimenting with various prices

until the right one is found. This is either because a certain degree of costliness is essential for the commodity in question, or because price is the purchaser's only test of quality. With a particular price he has associated a certain degree of quality or merit.

One further disadvantage of the consumer is his relatively weak bargaining position as compared with the producer's. Consumers are almost wholly an unorganized body and they have not the power for coöperative, concerted action as have producers. Producers have both the incentives and the facilities for such organization. It is merely a part of the business activity to which they devote the major portion of their time and energy. Consumers, on the other hand, even those who live close together and deal at the same market, are often unaware of or indifferent to the advantages which might come through concerted action. The gain to each seems so small that it is not worth working for. Not only does lack of sufficient interest deter consumers from concerted attack upon the prices or practices of the dealers, but the difficulties in the way of initiating and organizing such a movement operate against it. Consumption is carried on in so many scattered households that it is difficult to get representatives together unless advantage is taken of some other tie, occupation, for example.

The result is that the purchaser usually represents the resources and knowledge of but one individual, while those with whom he deals may be large scale, highly organized, producing units. The small scale of the typical consumer's purchases works against him in many ways. There are many economies and policies of the large scale buyer which he feels it would not pay him to adopt. It does not pay him to apply elaborate tests of quality, it does not pay him to check weights and measures, nor to complain about overcharges; it does not even pay him, he often feels, to search out the dealers who offer goods at the lowest prices. His

failure to do these things invalidates any assumption that a competitive profit-guided economy in all ways works for social well-being.

The dangers which threaten the consuming interests through the producer's pursuit of profits are not however left entirely without corrective or remedy. Various steps have been taken to meet the practical difficulties which beset the consumer. In some cases where single-handed he cannot protect himself, the power of the state has been called to his aid. Furthermore, the "education" of consumers, the formation of their standards, is not left entirely to the uncertainties of producers' activities. From a variety of other sources, they acquire definite codes for material living, embodying the experience of the social group of which they are a part. Definite training in marketing and purchasing for individual and family needs, too, has begun. Practical experience is passed on by word of mouth, scientific information is popularized, and there are the beginnings of a scientific treatment of the problem as a part of courses upon household administration and the research of home economists. Tests of quality are made known, and the principles by which to judge foods, furniture, textiles, garments, and other articles of everyday use. The meaning of economy, the importance of wise expenditure, a knowledge of market agents and agencies, are becoming established. Individuals as consumers, study the technique of advertising and selling, and learn how to institute a counter-defensive to the undesirable methods in vogue.

This will always be the major remedy for the defects of the competitive system, an enlightened consuming public with sound standards and cultivated tastes, one, too, that is awake to its problem of expenditure, that knows the machinery through which it must work and is assiduous in its own protection. But considering the handicaps of the individual consumer and the nature of some of the



problems involved, some definite state action is desirable to cope with certain aspects of the situation. Most modern states have felt that the aid and protection of the consumer were indeed among their proper functions, and have undertaken to furnish them to some degree. There are few economic goods and services whose production or sale are not regulated in some degree in order to protect the consumer. The list of those regulated would include water, milk and other beverages, foods, fabrics, medical services and supplies, fuel and light, housing, books and newspapers, art and drama, recreational facilities, education, insurance, savings and investments.

The state usually concerns itself with three things in its protection of the consumer: (1) the adequacy and quality of the commodities offered, especially in cases affecting health and morals; (2) the "fairness" of the prices charged; and (3) the prevention of fraudulent and deceptive practices. The methods used to secure these ends are various. There is some educational work carried on by the Department of Agriculture and the Bureau of Standards. What is now being done in this line is but a beginning in a wide field for service to the consumer. Why should not a bureau of markets and a bureau of standards undertake the education of the consumer? If information about values, rational principles of choice, and simple tests of quality could be made available, one of the weakest points in the position of the consumer would be strengthened. The state with its experts could do for the individual consumer what the hired experts do for the producer: by experiment and test furnish a basis for wise selection.

The activities of the state would dwindle considerably if it were not necessary to safeguard the consumer's interests. Many of the business enterprises carried on by the state were undertaken, primarily, that more satisfactory services might be rendered than under private enterprise. Familiar cases are the supplying of water, gas, electric light, and

street railway service; here there is the further complication of private monopoly. Municipal dance halls, bathing beaches, etc., also are undertaken to improve the quality of commercialized recreation, and to protect the morals of the consumers.

Most important of all the safeguards furnished by the state are the remedies provided in common law and the statutory regulations designed to prevent fraud and to protect the consumer's health and morals. For these latter purposes the state is permitted to exercise very broad police powers indeed. This group of legal measures includes the regulations devised to meet the problems of monopoly and fraud, the prohibitions upon the manufacture and sale of commodities deemed injurious, the labeling acts such as the Federal Pure Food and Drugs Act of 1906, and the standard-setting legislation such as the milk and dairy laws of the various states. How far does and can the state go in this direction?

The limitations upon state action to protect the health and morals of consumers and prevent fraud are those imposed by the very nature of the consuming problem, by the fundamental necessity for a broad scope for choice, and by the general and inexact nature of most of our consumption standards. The state cannot go far with prohibitory legislation because it cannot prohibit until there is a clear consensus of opinion as to what is and what is not injurious. Because of the same limitation it makes little or no attempt to protect æsthetic interests, and is obliged to proceed cautiously in its protection of morals. Even in the case of the health interests, where it would seem that the minimum requirements could be formulated with some precision, there is very little legislation which is really standard-setting. Most of the so-called pure food and drugs legislation is primarily labeling legislation, a protection against fraud; only incidentally and indirectly is there protection of health. As in the case of the laws for the protection of the

investor there are publicity requirements, but few definite guarantees of quality.

Legislation, then, and other state activity for the benefit of the consumer, must await the development of applicable standards for each branch of consumption. Until there have been developed, on the one hand, methods of scientific analysis so that the composition and qualities of commodities may be known, and, on the other hand, a knowledge of definite human requirements, the state cannot establish definite standards of quality. To-day it has not been able to go far beyond the regulation of the quality of a few goods and beverages. The most notable example of the state setting up positive standards in the interest of health is in the case of milk. The fact is now well established that milk is one of the basic necessities, especially for infants and young children. We know what "good" milk is, both what it should and should not contain, and the conditions which govern its quality. Not only are the desirable and the undesirable qualities of milk known with exactness, but their presence or absence can be readily discovered by test. Under these conditions minimum standards as to positive content for food value can be established, and a maximum of tolerance for bacterial content set up as well.

But no other legislation even approximates this in the definiteness of the standards set up. For housing, it is true, certain minimum standards with reference to air, light and indoor space may be imposed. The sale of certain drugs, of intoxicating beverages, and of decomposed and tainted meat may be forbidden. But in the case of most foods and beverages, fabrics and garments, drugs and medicines, ornaments and furniture, services and articles for personal use, nothing is specifically prohibited and nothing is required except as a safeguard against fraud. That is, no minimum standard of good quality is set up, below which they may not fall, nor maximum of poor quality above which they may not rise.

The state obviously can go much farther in protecting the consumer against deception and fraud than it can in direct protection of his health and morals. Provision can be made against fraud without infringing upon the consumer's freedom of choice or substituting for his judgment as to what is injurious the judgment of the state. The state in its safeguards against fraud really strengthens his power of choice by giving him more data, or more accurate data, upon which to base his judgment as to the desirability of a purchase. The main point is, however, that an injury to the pocketbook which is the direct result of fraud is a matter of fact, not opinion, while what constitutes an injury to health or to morals is a debatable question.

But there are decided limits upon the power of the state to protect the consumer even against deception and fraud. There is a very broad field within which the state cannot protect the consumer but in which he must safeguard himself against deception. The state may readily impose the requirement that what is told the consumer be literally true; outright falsehood and deliberate misstatement it need not tolerate. But it can only forbid misstatements when their falsity is susceptible of proof. When it was found to be possible to identify the different commercial fur hairs by the microscope, a fur labeling law could be passed and enforced. Further, the prohibition of absolutely false statements about an article does not protect the consumer from misleading statements. Nor does it protect the consumer when the dealer says nothing. If the consumer misconstrues the trade name, thinks, for example, that "flannel" means all wool, or deduces from the unquestioned fact that a soap floats that it is superior, he has no protection against his own bad logic.

The state then can protect the consumer by forbidding absolute misstatements of fact. It may also take the position that there are certain things about a commodity that the consumer has a right to know, and that should not be

withheld from him. It may lay down positive requirements as to the facts that must be made known to the would-be purchaser, by labels or otherwise. It may require a statement of the ingredients of foods, drinks and drugs, and the composition of fabrics. But valuable as this information may be, it is by no means a preventive of unwise purchases. Such information is the bare minimum that the consumer should have in mind before purchasing. The dealer is under no compulsion to part with additional information that may be in his possession unless he feels it good policy to do so. The conclusion of the matter is the same as the beginning. The consumer must in the main protect his own freedom of choice from the obstructions put in its way by profit-seeking producers. All the requirements that the state is able to set up touch only the outer fringe of the practices which may be prejudicial to the consuming interests.

In short, essential as the activities of the state may be for the protection of the consumer, there are obvious limitations upon the use of this social agency, and the medium of law, to protect the consuming interests and to safeguard them against mistakes in judgment. The major responsibility must be left with the individual consumer, and the outcome will depend upon the forces which guide and direct his choices and which determine their wisdom.



## CHAPTER VI

### THE MARGINAL UTILITY EXPLANATION OF CONSUMERS' CHOICES

FROM a study of the consumer's place in the economic order and the effectiveness of the mechanism with which he deals we must now pass to the study of the consumer himself. From a study of consumption as a process of securing the goods to carry out already existing interests and purposes, we must now examine it as a process of acquiring interests and formulating purposes. Our interest shifts from the means of carrying out a policy to the policy itself, from the mechanism which serves the consumer to the individual himself.

Up to this point the consumer's scale of wants, the interests he seeks to realize, and the purposes he seeks to carry out, have been taken for granted without inquiry into their nature or origin. The problem has simply been, how under the present economic arrangements, are these registered or made known, and brought to practical fulfillment? How does the consumer connect up with the economic order and what are his peculiar problems and difficulties? It is the consumer as purchaser, one who distributes a limited income, utilizes the products of a peculiar technical process, and deals with profit-seeking producers, who has been under consideration. We have noted his formal freedom of choice and the conditions incident to present-day economic arrangements which expand or hamper the effective use of that freedom. The discussion has centered in the functioning of the industrial mechanism and in the marketing problems of the purchaser for individual or household needs.

But important as marketing activities may be for the whole outcome of the consuming process, and engrossed as

each consumer may be in the practical difficulties under which he exercises his power of choice, yet analysis of these alone would fall far short of giving us a complete theory of consumption. The consumer's function as chooser of goods involves not only the practical activities of expenditure and marketing, but also a selective, choice-making process, by which the values which are reflected in market choices come to be. The student of consumption must consider not only the fact that the individual buys and how he buys, but what he buys and why he buys what he does. The main problem for the "choosers" of goods is not, how shall we get what we want, but why do we want what we do, and what should we want. Fundamentally, the problem of consumption both for the individual and for society is a problem of choice and of valuation.

The significance of the consumers' marketing and spending activities lies in the attitudes, preferences, and purposes which they manifest and to which they are but incidental and mediatory. A complete theory of consumption cannot take these for granted and ask merely how adequate is the mechanism through which they are carried out, but must undertake the analysis of the forces which called them into existence and which strengthen or change them. This is the most difficult problem which consumption presents, the interpretation of consumers' choices as they are expressed upon the market and in concrete modes of living in the process of utilizing goods. But in spite of the difficulty there can be no complete theory of consumption without such interpretation. An attempt must be made to understand the forces which lie behind consumers' activities, the forces which sway men's actions when as consumers, out of the materials at hand they construct for themselves a *modus vivendi*.

We go then from a study of the consuming process as affected by the current industrial system to its study as a problem of human behavior. The consuming problem

changes from one of mechanism and of structure to one of the human interests and purposes which seek realization thereby. The study of consumption becomes, as has been said, a study of human behavior, a query into the organized motives and impulses which determine human conduct in this particular sphere of life. As such it becomes a problem of choice, as does every study of human activity. In that sense it becomes a part of the general valuation problem. "The principle which determines the subordination of one end to another is always that of value. Estimates of value fix for us the place of each element in a system of human ends."<sup>1</sup> Conscious activity presupposes choice, and choice presupposes valuation. As a problem of value, this inquiry is akin to those in other realms of life — the investigation of ethical, legal, and æsthetic values. "Ethics might be called a science of comparative values, because every moral choice is a selection of a greater or lesser value."<sup>2</sup> So also economics, and the phases of the economic interest are studies of comparative values, and of choices between greater and lesser values. All studies of the organized human activities are but inquiries into the broad value problem which is the problem of life itself, how to discriminate and select among the alternatives to action which press upon one, and how to organize the conflicting impulses and interests which are seeking expression, into a unified whole.

But this formulation of the problem of the consumer's activity as a problem of choice and of value, raises immediately the question whether this problem is not one which that group of economic theorists known as the Marginal Utility School attempted to answer. They called their problem a problem of "value"; they emphasized demand as a factor in the price problem, utility as an essential attribute of wealth, consumption as the end and test of production. They maintained that causation in market value runs from subjective valuation to price, and from consumption

<sup>1</sup> W. G. Everett: *Moral Values*, p. 6.

<sup>2</sup> *Ibid.*, p. 7.

goods to the goods of higher orders which are concerned in their production no matter how far removed in the roundabout process. They emphasized price as the "pivot of modern industry and business," and the determination of price by the valuation of the marginal buyer, thus placing the individual, as consumer, in a position of ultimate control. In other words, the problem and the point of view of this school inevitably led them to an inquiry into the basis of consumers' choices, and an analysis of the "nature of human wants." Jevons says, "The theory of Economics must begin with a correct theory of consumption," and he develops a theory of utility, presumably a study of the wants and desires of man, as a preliminary chapter of his treatise upon political economy. In fact, as was previously noted, whenever economic inquiries have touched the field of consumption, the laws and conclusions of this school have been taken over as the orthodox doctrine on the subject. Chapters upon consumption in economic treatises, and books and articles catalogued in libraries under that heading are found to be mainly summaries or elaborations of the "marginal utility" theory. A recent essay which the author calls "a study in the neglected field of economic consumption" is a discussion of the "kinds of utility and their variation," and the point of departure is, avowedly, the same as that of the Austrians.<sup>1</sup>

It accordingly behooves one who is seeking an explanation of consumers' choices to examine the principles developed by the "marginal utility" analysis of wants and of the consuming process.<sup>2</sup> Does this theory furnish a suggestive and accurate interpretation of the valuation process? Do individuals as consumers act and make their choices in the way assumed by its exponents? Do their analyses of

<sup>1</sup> G. P. Watkins: *Welfare as an Economic Quantity*.

<sup>2</sup> The phrase "marginal utility" will be used for descriptive purposes throughout this discussion regardless of differences in the terminology of the members of this school.

“wants,” their categories of subjective and objective value, their curves of diminishing utility and of market demand compass the facts which lie behind market valuations? If the answer to these questions is in the affirmative, no adequate theory of consumption can be formulated which does not take account of the findings of this school, and incorporate them as at least the major premises of the argument.

It is not in all ways easy, however, to select and to summarize from the whole body of thought known as “marginal utility” theory those portions that have a direct bearing upon the present discussion. This theory has not come down unchanged from the hands of Jevons and the Austrians. The account of the differences in formulation from time to time — differences in phraseology, in emphasis and in interpretation — take up a goodly chapter in every history of economic thought. There are groups, each with its notable variant in the way of doctrine, which must be considered in any complete account of the whole body of thought.

But fortunately a complete résumé of marginal utility theory is unnecessary for the present purpose. We are interested only in the theory of choice that is embodied in it. We seek only the explanation it has to offer of the consumer’s behavior which lies back of the phenomenon of “demand.” There is no necessity for discussing here the complete marginal utility analysis of the price-making process. For it should be remembered that in the exposition of this school there may be found both a theory of choice or of value, and a theory of price or exchange ratios. It is not necessary here, it is believed, to pass judgment upon the usefulness and validity of the latter. It may be true, as is sometimes maintained, that with a faulty explanation of consumers’ choices, or without any explanation, the marginal utility concept can be used to build up an adequate and useful theory of price. But if the theory of choice upon the other hand is found to be inadequate and misleading,



the marginal utility analysis is vitiated for the present purpose; it cannot serve as the foundation for a theory of consumption.

As a theory of choice, as an explanation of the way values arise and influence human conduct in the market place, the Austrian statement might thus be briefly summarized. Utility is that quality of goods which makes them desirable to individuals; it is the capacity of goods to satisfy wants or to induce a pleasant or agreeable state of mind.<sup>1</sup> Scarce goods are subjectively valued by the individual in proportion to this desirability or power of satisfaction, successive units at a diminishing rate; and consumers' choices are the result of rational attempts to secure a maximum psychic income in the form of "pleasures," or gratified desires. The reflection or deliberation which precedes choice takes the form of a calculation or measurement of the respective quantities of satisfaction to be obtained from different courses of action. Value is the "shadow which coming consumption throws before." It comes from the anticipation of the "enjoyment" or satisfaction which is consequent upon the utilization of the goods chosen. Choices represent the individual's attempt to secure this enjoyment or satisfaction, and it is this anticipated "pleasure" or gratification which explains why goods are wanted.

There is no very elaborate discussion of the psychology of choice in the typical marginal utility treatise. A few sentences, of which it is hoped the above are not unfair representations, present the basic assumptions. Nor is anything very specific and concrete said usually about the wants and desires of men as shown in everyday life. The

<sup>1</sup> Watkins defines utility as "the capacity in greater or less degree to satisfy wants. It is a favorable or desirable relation of an external thing or its processes to pleasant or agreeable states of mind." Further, "the utility of a good or supply is proportioned to the sum of satisfaction obtainable from the different uses to which it will be put. . . . Quantity of utility is equal to quantity of satisfaction." *Welfare as an Economic Quantity*, pp. 1-5.

discussion is mainly of "utility," its kinds and variations. The attention is directed more toward the magical marginal unit and its utility, than toward definite human activities. Jevons, for example, although he starts out to furnish "first of all — a theory of the consumption of wealth" covers in his discussion such topics as these — the law of the variation of utility, total utility and degree of utility, variation of the final degree of utility, disutility and discommodity, actual, prospective, and potential utility.

Patten has developed perhaps the most complete theory of consumption using the marginal utility concept and the original pleasure-pain terminology. "The theory of consumption," he says, "rests upon the laws of pleasure and pain modified by the social environment in which men live."<sup>1</sup> "The desire to avoid pain influences our actions as much as the desire to obtain happiness."<sup>2</sup> Accordingly he develops first what he calls the "natural order" of consumption, and, secondly, the "economic order." The "natural order of consumption" is determined by the relative intensity of our desires. "It is the order in which men choose commodities for consumption when influenced solely by those ultimate physiological conditions which make the consumption of some commodities more pleasurable than others. The second we may term the economic order, because this is the order in which men choose commodities for consumption when their natural desire for an article is modified by the amount of labor required to produce it."<sup>3</sup>

In the case of food, he says, we must seek first the "laws which fix the intensity of feeling," the "causes which determine the amount of happiness," derived from its consumption. "It would seem," he says, "that when we have fixed the intensity of our desire for food and other commodities, the laws of the consumption of wealth would also be determined."<sup>4</sup> But this is not the case. This only deter-

<sup>1</sup> S. N. Patten: *The Consumption of Wealth* (1889), p. vii.

<sup>2</sup> *Ibid.*, p. 17.

<sup>3</sup> *Ibid.*, p. 19.

<sup>4</sup> *Ibid.*, p. 17.

mines what would be the natural order of consumption if goods were free. "From the whole intensity of a pleasure the amount of pain in any way connected with it must be deducted before we can determine its relative place among our pleasures."<sup>1</sup> "We get what we consume as the result of severe toil and the pains incident to production modify our demand for commodities."<sup>2</sup> "Although the consumption of wheat may give a more intense pleasure to a man than that of rice, he will consume rice if work in a rice field is so much more productive than work in a wheat field, that the pleasure derived from the consumption of rice, in proportion to its cost, is greater than the pleasure derived from the consumption of wheat in proportion to its cost. . . . For pleasure we can substitute utility and for pain the cost in labor, and then we can say that men, in choosing articles, are determined by the ratio of their cost to their utility."<sup>3</sup>

If it is assumed that the above gives a fair summary of the marginal utility theory of choice, what shall be said of its validity and usefulness? Can we trace these principles actually at work in the life we see about us? It seems highly plausible that, "It is the first principle of all choice that we seek to gratify our most intense desires first."<sup>4</sup> But what are our "most intense desires?" Simply those that are satisfied first? Why are they "most intense?" Correspondingly, is there any principle of commensurability by which we can arrive at the "relative intensity" of desires, or calculate the "ratio of cost to utility" of different commodities? Do we know of any "natural order" of consumption aside from one developed in relation to existing economic conditions? Is the individual's choice of wheat or rice a matter of "cost" versus "utility"?

It is not necessary, however, to attempt an answer to every question that may arise concerning the interpretation of the marginal utility theory. Nor is it neces-

<sup>1</sup> S. N. Patten: *The Consumption of Wealth* (1889), p. 17.

<sup>2</sup> *Ibid.*, p. 19

<sup>3</sup> *Ibid.*, p. 18.

<sup>4</sup> *Ibid.*, p. 30.

sary here to undertake its detailed criticism. For, as it happens, at the precise points of significance for this study the marginal utility theory has for many years been subjected to the most searching criticism both from economists and students in other fields. As an explanation of choice the exposition of this school has long since been pronounced inaccurate and misleading. So extensive and prolonged has been the criticism of this particular portion of the doctrine that the fallacies and flaws of the marginal utility theory are now possibly better known than its detailed formulation by its originators. In order to meet the question that has been raised concerning the adequacy of their theory of choice it is only necessary to review briefly the major points of this criticism.<sup>1</sup>

It is alleged that when the marginal utility theorists undertook to formulate an explanation of consumers' choices they brought forward for this purpose the tenets of the utilitarian philosophy, that philosophy which had previously been so generally used to explain human conduct, moral, economic, and so forth. Utilitarianism, however, had even then lost its prestige and was soon to be discredited and discarded in every other field. The criticisms therefore that have been so abundantly directed toward the theory of choice associated with the marginal utility school have accordingly been those that have met utilitarianism everywhere — charges of individualism, intellectualism, and hedonism, that doughty trio of the early nineteenth century, so scorned in the twentieth.<sup>2</sup>

<sup>1</sup> Excellent illustrations of the criticisms of the marginal utility analysis are the following: *Journal of Political Economy*, xvii, pp. 620–36, Thorstein Veblen, "The Limitations of Marginal Utility"; xviii, pp. 253–68, E. H. Downey, "The Futility of Marginal Utility"; *ibid.*, pp. 97–113 and 197–216, W. C. Mitchell, "The Rationality of Economic Activity"; xxvi, pp. 5–13, J. M. Clark, "Economics and Modern Psychology." See also B. M. Anderson, Jr.: *Social Value*, part II, and H. J. Davenport: *Value and Distribution*, pp. 303–10.

<sup>2</sup> The criticism of utilitarianism in general and hedonism in particular has been going on for several decades. Probably nothing better could be

The charge of individualism which is brought against the marginal utility theory is one that is sustained by what is omitted rather than by what is incorporated in the theory. In this account of how men come by the preferences which they display in the market there is no suggestion of a give and take between individual minds. There is nothing about codes or customs, or organized habits which guide men's actions. The consumer whose choices are studied appears too much as an isolated individual, and not enough as a man among men and greatly influenced by them. But if individualism is implicit in the marginal utility statement, intellectualism is explicit. Choice is described as the result of deliberation and calculation. Impulse and habit, custom and instinct, are ignored. Rational thought is made the basis of human conduct and every one is supposed to be moved by conscious considerations.

The third charge leveled against the marginal utility theory of choice, that of hedonism, is the one to which the economists probably first became sensitive. They have long struggled by changes in phraseology to expurgate from their theory this concept of man as a pleasure-calculating machine. For the deliberation that was supposed by this theory to precede choice was a quantitative measurement of future pleasure or pain. Dewey sums up the "essentials of this false psychology in two traits. The first, that knowledge originates in sensations instead of from habits and impulses; and the second, that judgment about good and evil in action consists in calculation of agreeable and disagreeable consequences — consequences in the way of pleasurable and painful sensations."<sup>1</sup> As he goes on to point out, the utilitarians were mistaken both in the *nature* of the deliberation that may precede a course of action, and in the read than J. S. Mackenzie: *Manual of Ethics* (1889), chaps. I, II, VI, and John Dewey: *Human Nature and Conduct* (1921), part III. See also Wm. McDougall: *Social Psychology* (1916), pp. 10-11, 352-75; and W. G. Everett: *Moral Values*, pp. 108-12.

<sup>1</sup> John Dewey: *Human Nature and Conduct*, p. 189.



*subject matter* of the deliberation. The subject matter is not future feelings or sensations and "deliberation is not the calculation of indeterminate future results."<sup>1</sup>

The truth of the matter is that modern psychology and social philosophy have so changed our point of view that look about us as we will we cannot see human nature and human behavior as they were assumed to be in the marginal utility analysis. The whole story is not told when the psychological errors found therein are chronicled. We may say that they had a totally false concept of the individual, of the how and why of his reactions to situations and of the world of valued objects in which he lived. We may say that, "One of the most artificial doctrines about human nature which has ever acquired prominence is the doctrine that pleasure and pain, felt or imagined, are the only motives to action."<sup>2</sup> We may say that to make pleasure the sole object of desire and the determining motive of all conduct, is putting the cart before the horse, that pleasure accompanies achievement, but does not explain desire or constraint to act. We may say that this school not only mistook the nature of pleasure and pain, but greatly over-emphasized the feeling-tone of consciousness as a motive to conduct whether it be designated as "pleasure," pleasantness, enjoyment or satisfaction.<sup>3</sup> We may say that they mistook the nature of that selective process which is inherent in choice. Not only is its end not future sensations or feelings, but the process is not, and could not be, a calculation or measurement of anticipated psychic profit and loss. Over

<sup>1</sup> John Dewey: *Human Nature and Conduct*, pp. 199-209.

<sup>2</sup> E. L. Thorndike: *Elements of Psychology*, p. 284.

<sup>3</sup> Pain to the modern experimental psychologist is a true sensation. It is not the same as unpleasantness which is a quality which may or may not accompany it. Not only sensations, but related ideas may give an agreeable or disagreeable feeling-tone to consciousness. Some things are pleasant or unpleasant without regard to any already awakened desire, and other things only when there is such a desire. R. S. Woodworth: *Psychology*, pp. 173-78; C. J. Herrick: *An Introduction to Neurology*, chap. XVIII.

and over again it has been pointed out that not only is conscious deliberation over ends-in-view infrequent and difficult, but that the actual measurement of results would be impossible. "Future pleasures and pains — are among the things most elusive of calculation,"<sup>1</sup> says Dewey, and "In quality the good is never twice alike. It is new every morning, fresh every evening. It is unique in its every presentation."<sup>2</sup>

But this is not the whole story. The marginal utility theory of choice is unsatisfactory to-day not only because of its positive errors and its grave omissions. We tell the whole story of human nature and its interaction with its physical and social environment differently to-day. The most effective criticism of the marginal utility theory has not been made by those who deliberately set themselves to the task of pointing out its intellectualism, its individualism, and its hedonism. The really overwhelming criticism is found in that large and growing body of modern literature dealing with human nature and behavior which, without a word of criticism of the older view, provides us with another so different that the two cannot stand together. A comprehensive survey of the limitations of the marginal utility analysis would involve a review of what are now the commonplaces of psychology, commonplaces which are vastly different in emphasis and in substance from those of the older school.

Marginal utility theory then cannot be accepted as an adequate explanation of choice. The fact of choice, of course, stands out clearly and unmistakably for every one to see. The specific choosing of one mode of activity rather than another is a necessary part of human existence. One cannot go in two directions at once. But to note the fact of choice or even the corollaries that may be drawn from it is not to explain it. Even the present-day economists who have made most use of marginal utility theory as a theory

<sup>1</sup> *Op. cit.*, p. 203.

<sup>2</sup> *Ibid.*, p. 211.

of price acknowledge its indefensibility as a theory of choice. It is true they may say that this part of the Austrian exposition is unnecessary and can be cut away without injury to other parts of their analysis. They may say that this is a money economy and that all that is necessary in order to understand its operation is a scale of preferences or a chart of price offers. They may say that this problem—the why of choices—which the marginal utility school failed so signally to answer, is one that no one can answer, and that the economist especially is uninterested in it and incompetent to enter upon the inquiry. But this does not alter the truth of the contention that as an analysis of the valuation process, as an interpretation of the external world of values in which we live, of the dynamic forces which influence human behavior and result in economic activity, it is inadequate and unacceptable. The phrases of marginal utility may be retained as “convenient shorthand” or symbols, to serve as terms for price formulas, but there are few to-day who would uphold that they convey other than a false view of the forces which motivate activity and the basis upon which choices are made.

It is interesting to speculate why economics has so long been content to rest under the criticism that its conclusions are based upon philosophical concepts and psychological assumptions that are unsound. Economists have quite generally refused to consider their conclusions invalidated by these criticisms. They have either insisted that, whatever might be the case in other fields, in the economic realm men did, indeed, behave in the way described, or have said, “What care we about motives anyway, away with all psychological analysis!”<sup>1</sup> One very good reason may be assigned for this.<sup>2</sup> Money costs and money returns may be

<sup>1</sup> F. H. Knight; *Risk, Uncertainty and Profit*, note, p. 64. “He (the economist) does not even need to consider the issue between rival psychologies of choice.”

<sup>2</sup> See *American Economic Review*, vi, Supplement, pp. 140–61, W. C. Mitchell: “The Rôle of Money in Economic Theory.”

calculated and measured quite independently of human attitudes and reactions. A system of pecuniary valuation enforces an attempt at exact calculation and a consideration for financial outcome upon all coming within its sphere. The assumption of rationality, or deliberate calculation, is not, in fact, far amiss when business activity, the management of productive enterprises, is in question. The typical business man in his formulation of business policy and in the organization and administration of his enterprise, is not unlike the economic man of the early writers. Since, upon the whole, economic studies have been mainly in the field of production, and have involved so largely the analysis of operations from the business manager's standpoint, no glaring discrepancy between theory and practice has been noted.

Of course, the assumption that men follow "self-interest" based upon the observation of the business man's calculation of profit and loss, cannot be transferred to a field not controlled by pecuniary standards. Here, as has frequently been pointed out, the economists made their mistake. They mistook "a fact about existing industrial conditions for a fact about native, original activity."<sup>1</sup> They ascribed to human nature what the institutional organization was really responsible for. Self-interest and calculation may be satisfactory clues to the business man's conduct, but they cannot be carried over to the interpretation of consumers' choices. Business activity is an incomplete activity in which money is an end, but in the consumer's activity money is only a means for carrying out a wide variety of purposes. The business man accordingly may measure results in quantitative terms and compare the advantage of one policy with another, but the consumer cannot do so. The consumer, of course, may deliberate and compare alternative courses of action, but the thing involved is not a difference in quantity, but a difference in

<sup>1</sup> John Dewey: *Human Nature and Conduct*, p. 123.

resulting situations which may be quite different in kind. "Calculation may tell a man just what it is he must sacrifice if he does a certain thing, but it cannot tell him whether he wants the thing badly enough to accept the sacrifice."<sup>1</sup> Further, what he wants and how he comes to want it remain an unsolved problem.

It seems clear then that the Austrian theory must be rejected as an adequate explanation of value or choice and of the activity of consumers. Their analysis may be useful and valid as a basis for a theory of price, but it is scarcely adequate as a basis for a theory of consumption. By a "theory of price" is meant those laws which govern exchange ratios between goods upon the market, changes in power in exchange, and in the equilibrium between technical demand and supply. Whenever an exchange takes place there is an establishment of terms of exchange between the goods, or price determination. The marginal utility theory, as a theory of price, analyzes this process. Hobson says that it was in this problem they were primarily interested, that their discussion of consumers' choices was merely incidental to their theory of price, and as price theory, accordingly, their contribution to economics must be primarily judged.<sup>2</sup>

<sup>1</sup> *Journal of Political Economy*, xxvi, J. M. Clark: "Economic and Modern Psychology," p. 10.

<sup>2</sup> Concerning the adequacy and usefulness of the marginal analysis as an explanation of market prices, there is some difference of opinion. Anderson in his *Social Value* says, "Their detailed work in the price analysis . . . has been marvelously accurate, sound and useful," and earlier he has taken the position, that "for the purposes of quasi-mathematical price theory . . . the most divergent theories of the nature of value, none of them adequate, have not prevented the development of a vast, highly organized and immensely useful price doctrine." This is Davenport's position most decidedly, that hedonism matters no more than Methodism, that it matters not why men act, so long as they do act. "It is, however, important for the economic life only that we choose." If "Choices between goods and choices between alternatives . . . still take place . . . our economic theories would still formulate themselves very much as they are now formulated." *Value and Distribution*. Downey, however, after pointing out the futility of marginal utility theory for "problems of social better-



The central problem of consumption, the problem of choice and of valuation, cannot then be solved by the easy method of adopting the theory already at hand in the tenets, explicit or implicit, of the marginal utility doctrine. If this course were possible, the work of constructing a theory of consumption would be from this point on mainly one of elaboration and illustration. But since the marginal utility explanation of consumers' choices is found unsatisfactory, what then must be done? In what direction should inquiry proceed? There are, it would seem, two possibilities. One is to take the existing body of thought, the result of previous attempts to solve the problem of consumers' choices, as the starting point, free it from its objectionable features, emphasize its sound points, and rule out those which fail to conform to reality or are unimportant. This would involve a very thoroughgoing, critical analysis of the original theory, a new definition of terms, a careful statement of assumptions and viewpoint, and a clear presentation of its application to consumers' activities. The resulting theory of consumption would, however, still be cast in the old terminology, even if newly defined, and would have the limited applicability which, it is believed, inheres in the old doctrine.

The second mode of procedure is to abandon entirely this previous approach to the problem of consumers' choices and make an entirely new start. Without making any attempt to re-vamp the marginal utility theory, an entirely new approach can be made to the problem of valuation and of consumption. The adoption of this alternative frees one

ment" insists just as emphatically that "The marginal utility doctrines are futile for the purposes of the limited problem to which they are applied: That problem is the explanation of market value. (1) It is not psychologically tenable. (2) It is not practically useful because it does not offer in any concrete case an explanation of price, but only restates the price problem in language which is unintelligible to the layman, and which is meaningless even when understood." *Journal of Political Economy*, XVIII, p. 253.

from the necessity of detailed criticism and of definitive acceptance or rejection of the details of the old analysis. It is a different approach to the same problem. If the results are the same, neither method can claim supremacy; if they are different, each can be adjudged on its merits. In view of the widespread criticisms of the marginal utility explanation of consumers' choices and its admitted fallacies and limitations, it seems highly desirable to adopt this latter alternative and to start *de novo* in the attempt to construct a theory of consumption. In making this new approach to the valuation problem the same procedure will be followed as if the problem of consumers' choices were set up for study for the first time. Noting the significant facts as carefully as may be, with the philosophy and psychology of the present day to aid in their interpretation, the questions will be raised, what is the nature of value and the valuation process, and what is the key to that complex of activities called consumption. This new approach and new viewpoint will, it is hoped, yield something more suggestive for the interpretation of consumers' choices than the former reading of the puzzle as merely a "pursuit of happiness."

## CHAPTER VII

### ANOTHER VIEW OF VALUES AND OF THE VALUATION PROCESS

THE present-day inquirer into the nature of the valuation process finds ready for his use a large mass of material which seems peculiarly adapted to answer his questions and solve his problems. Psychological study has developed, and while rejecting the older theories of human behavior and its motivation, has replaced them with new material and new explanations of human behavior which illuminate much that was hitherto dark in the conduct of men. Philosophical and scientific thought has taken a new trend, and has contributed that developmental or evolutionary viewpoint so important for the social sciences, which leads to the genetic method of gathering data, and the pragmatic view of the conclusions based thereon. Complementary and incidental to the growth of the "new" psychology and the "new" philosophy, has come about the study of the individual, not as an isolated unit, but as a social animal, a member of social groups, a part of a complicated social organization. Individual consciousness, it is now said, is social in nature; individual activities and attitudes are socially determined. As a basis for this sociological analysis, data as to social origins have been gathered by anthropologists; comparative studies of group phenomena at different times and under different conditions have been made, and the facts of the social life of to-day, the social organizations and institutions, have been examined.

As a result of these studies a science of social psychology has been developed which "aims at discovering and arranging the knowledge which will enable us to forecast. . . the conduct of large numbers of human beings organized in

societies.”<sup>1</sup> The student of to-day whose problem involves consideration of how and why men act, will find in this material many clues and suggestions for the interpretation of the activities and attitudes with which he is particularly concerned. But it is not only the privilege of the social scientist of to-day to examine the findings of the modern psychology and social philosophy and cull from it what is acceptable to him. It is also incumbent upon him when explaining any phase of human activity to make his assumptions, viewpoint, and method “square” with those found generally acceptable, or to show cause for the divergence. The burden of proof is upon the economist, the political scientist, the moralist, who postulates a peculiar type of behavior in his part of the life process.

But the present-day inquirer into the valuation process with special reference to economic values and economic activity, finds that in addition to these general studies which offer so much that is relevant to his problem, special attention has been given to this very question of value and of choice. As a part of the psychological and philosophical development spoken of above, it has appeared more and more clearly that all problems of human activity are problems of valuation and of choice. We are told that “To study choice and purpose is psychology — to study choice as affected by the rights of others and to judge of it as right or wrong by this standard is ethics”;<sup>2</sup> and it might be added that to study choice as affected by scarcity is economics. “Economics, like ethics, is concerned with goods, i. e. with things having value with reference to certain human ends.”<sup>3</sup> The valuation problem which the economist once regarded as peculiarly his own problem is now the form in which all the social sciences formulate their problem. The value problem has become the universal social problem; all

<sup>1</sup> Graham Wallas: *The Great Society*, p. 20.

<sup>2</sup> Dewey and Tufts: *Ethics*, p. 3.

<sup>3</sup> J. S. Mackenzie: *Manual of Ethics* (1899), p 32.

the social sciences attempt to explain how a world of valued objects comes to be, or, in other words, what the influences are which move men to act in the ways observed. All values, moral, æsthetic, legal, and economic, are varieties of the same genus. When inquiry concerning human activities and attitudes is pushed back to fundamentals it resolves itself into a general valuation problem. "The fundamental fact of mental life is the fact of value, the tendency of psychic organisms, first to select and then to keep within their control whatever is necessary to their life."<sup>1</sup>

The student of to-day, accordingly, finds that although he is pursuing a quest which has its source in the economic process, there is ready for his use and application a considerable discussion of the very thing in which he is most interested, the theory of value, the problem of choice. It is important to emphasize that in its more general and abstract form the "theory of value," the explanation of consumers' choices, is not something to be worked out from the beginning as an isolated and purely economic problem. This is the first point to be recognized in regard to the formation of economic values, that economic valuation is but one phase of human activity. It affords but another illustration of the underlying unity of the social sciences.

The common ground of all the social sciences is that they study the relationships and activities of men. They must explain the functioning, the purposeful activity, of individuals in society, and accordingly must look to current psychology, either of the school, or of the street, for their fundamental concepts. As long as the psychologists concentrated their attention upon what might be called the analysis of consciousness, picking out and classifying its structural elements, the social scientists, too, endowed mankind with certain possible "states of mind," and explained their activity as a quest for those stimuli which would induce the

<sup>1</sup> *Journal of Philosophy*, etc., vol. XII, p. 31, G. H. Tawney: "What is Behavior?"



most "pleasurable" or satisfactory conscious state. One of the elements into which the individual consciousness was resolved was a feeling-tone of pleasantness and unpleasantness, and valuation as a psychological process was based upon an assumed relation between objects of the external world and the feeling-tone of consciousness. Utility was the capacity of the object to induce the satisfactory or "pleasurable" state of mind, value was the "shadow which consumption threw before." Choice was based upon an anticipation of the future. There was the utilitarian concept of the individual, seeking "pleasure" and avoiding "pain." Students of value in its generic aspect analyzed the structural elements of value judgments, and tried to find a basis for values in feeling or in desire.<sup>1</sup>

Psychologists, however, in these latter days have come to attack their problem from a new angle. They have ceased to regard the individual as passive, and exclusively to analyze consciousness; on the contrary, they are studying the individual, active and functioning. The social sciences are

<sup>1</sup> See B. M. Anderson, Jr., *Social Value*, pp. 94-95, for references to studies of the generic aspect of value, and pp. 96-114 for an exposition and criticism of the theories especially of Ehrenfels, Meinong and Urban. Many of the modern books upon ethics are full of suggestions for a theory of value. For example, Dewey and Tufts: *Ethics*, and W. G. Everett: *Moral Values*. See *Journal of Philosophy*, etc., xiv, pp. 141-54, H. W. Schneider: "The Theory of Values." Schneider maintains that Ehrenfels and Meinong in Germany, and Urban in the United States, analyzed the elements of consciousness and made feeling or desire the basis for all values. In a rejoinder to Urban's criticism of his theory of value, Schneider puts the case against making feeling the basis of value in this wise. *Journal of Philosophy*, etc., *op. cit.* p. 707. "To think that describing how one feels when eating a piece of pie has any significance for a theory of pie value, or, in general, that a structural analysis of feeling, as such, throws any light whatsoever upon the nature of value is comparable to an attempt to construct a science of medicine on the basis of the miserable feelings of sick folks." He further contends that an objective analysis, and a subjective, made independently and set side by side or added together, will never give a functional theory of value. This, he says, would be analogous to an explanation of the function of digestion, consisting of an analysis of the structure of the digestive system and an analysis of meats, vegetables, etc., with the process of digestion left out.

bound to take note of the new information concerning human nature and conduct which they have to offer. For example, it appears that from the standpoint of this new "functional" psychology the basic fact concerning the psychical life of the human organism is its activity. It appears that human life *is* activity, that the living human organism is a collection of impulses and tendencies which do not passively await stimuli, but seek opportunities for action. A starting point for the student of human conduct, whether it is of ethical or of economic interest, is the statement of Thorndike, "Activity comes from within, from a physiological impulse, based on organic need."<sup>1</sup> But, it appears, further, that this activity, which is the primary fact of human life, is a selective process, that not every external object constitutes a stimulus to which there is a reaction, not every situation calls forth a response. "Activity depends primarily upon interest."<sup>2</sup> "There must be a coördination within, answering to the stimulus, or there is no response."<sup>3</sup> "The life of the human organism is a process of getting the proper stimuli rather than a passive acceptance of them from without. Organisms react to stimuli not so much according to the nature of the stimuli as according to their own nature."<sup>4</sup>

In these generalizations about the nature of human activity lies a point of view of great significance for the student of the motivating forces of human conduct. If it seems probable that all psychical life is in some sense a choosing,<sup>5</sup> that the activity of the human organism is a selective process, that attention is given and responses ensue only in the case of certain stimuli and situations, here is the basic explanation of the phenomenon of value. Here is the rea-

<sup>1</sup> *Elements of Psychology*, p. 284.

<sup>2</sup> C. A. Ellwood: *Society in its Psychological Aspects*, p. 102.

<sup>3</sup> *Ibid.*, p. 103.

<sup>4</sup> *Journal of Philosophy*, etc., XII, p. 30, G. H. Tawney: "What is Behavior?"

<sup>5</sup> C. H. Cooley: *Human Nature and the Social Order*, p. 2.

son why all the social sciences which deal with human beings in action conceive of their problem as a value problem, and in one way or another study the valuation process. "All the actual content of attention has meaning or value." Back of all values there is not only elaborate and highly volitional choice, but this spontaneous activity of the organism which, on the basis of its "built-up" coördinations or inborn tendencies, builds up by a selective process a "world of valued objects" which alone have the power of bringing about responses or motivating human activity. "Mind is an evaluating agency selecting among stimuli."<sup>1</sup> Fundamentally, the valuation process in its generic aspect is this constant attempt of human interests and purposes, inborn and acquired, to realize themselves through the means at hand. This involves a constant process of discrimination and choice ranging from the most impulsive and least volitional to the most deliberate and rational. "The conclusion, therefore, to which we are led is that motives are neither constituted simply by pleasure and pain, nor simply by dominant desires, passions, or impulses, nor simply by reason, but that they depend upon the nature of the universe within which they emerge. A motive is an end which is in harmony or conformity with the universe within which it is presented. At any given moment in our lives there are various possible ends which we may set before ourselves. . . . Now in so far as any change presents itself to us as something which could be brought about by our own activity it presents itself as a possible motive to action."<sup>2</sup>

Thus it is, by way of these familiar concepts of functional psychology, that we come to the analysis of the value situation found in the pragmatic philosophy, the concept of values as "instrumental," of valuable objects as those which are good *for* something, of the valuation process as the mak-

<sup>1</sup> C. A. Ellwood: *Sociology in its Psychological Aspects*, p. 104.

<sup>2</sup> J. S. Mackenzie: *Manual of Ethics* (1899), p. 77.

ing of practical judgments.<sup>1</sup> By this analysis, the value situation necessarily consists of three elements: (a) a valuable object, (b) an organism or activity to which it is valuable, and (c) an end or purpose for which it is valuable. Given, in other words, the active human organism with its interests, needs and purposes, its impulses and tendencies, a process of selection and choice takes place, a valuation process by which a world of valued objects comes to be. Objects having value are those which offer an occasion or opportunity for action — which provide a stimulus to an act. It is only to those objects and situations which have meaning or value to us that we respond. Values are qualities of our world as real as the sense qualities. They are, however, different from the sense qualities in that they vary independently of the stimulus, and are creative judgments; what pleases us at one time may displease us at another, and reflection, memory, and imagination may produce new values. Choices are not “creations out of nothing but a creative synthesis or reorganization of old material.” Value is simply the quality that an object comes to have when it is judged good *for* something.

It is evident that this view of values and of value judgments emphasizes the motivating force of value. This view is that there would be no value if there were no demand for action, and no action, in any sense purposive or resultful, without value. Dewey says that the making of value judgments is the making of decisions what to do, and that the truth or falsity of the judgment lies in the issue or event of the action. A value judgment is a plan of action.

It is desirable to stress somewhat the threefold aspect of

<sup>1</sup> See John Dewey: *Essays in Experimental Logic* (1916), pp. 335-442; *Journal of Philosophy*, etc., xiv, pp. 145-49, H. W. Schneider: “The Theory of Values”; vol. xv, pp. 85-96, W. T. Bush: “Value and Causality.” See also, *Creative Intelligence*, J. H. Tufts: “The Moral Life and the Construction of Values and Standards,” *American Journal of Sociology*, xxi, pp. 65-103, J. E. Boodin: *Value and Social Interpretation*, and C. H. Cooley: *Social Process*, chap. xxv.

the value situation. There is a subject and an object; both are essential, and, also, a third element which is the test of or the reason for the value, the end or purpose which is to be carried out. Schneider makes the suggestive point that one or more of these elements has generally been neglected in value discussion. Either the individual to whom something is valuable, and his states of consciousness have been emphasized, and the conclusion drawn that value is subjective and "in the eye of the beholder." Or else the valuable object has been emphasized with the corresponding idea that value is objective or inherent in the object. Tufts points out that the subjective theorists sought standards of value in the self, while the objective theorists sought them in nature, essence, or law.<sup>1</sup> Both ignored the process, as well as the purpose, which called forth the value judgment. The subjectivists naturally sought the cause of value in the subject and his consciousness, while the objectivists sought it in the object. One school of economists, for example, tried to base value upon magnitudes of feeling, another tried to base it upon the labor which had gone into the object and was embodied in it. Neither was an adequate explanation either of the process of valuation or of the function which values serve in directing human activity. Values are neither independent qualities of things nor gifts made to the universe by human nature,<sup>2</sup> but qualities of objects with reference to human ends and purposes which, being perceived, guide and direct human activity.

Values, as has been said above, are real qualities of our world. They *are*, they have reality, the individual perceives and has belief in them. Any other point of view would be absurd considering that when we discuss values we are considering the individual's differentiation of the

<sup>1</sup> *Creative Intelligence. The Moral Life and the Construction of Values and Standards.*

<sup>2</sup> See *Journal of Sociology*, XXI, pp.79-80, J. E. Boodin: "Value and Social Interpretation."



external world into things good and bad, or better and worse, which selective process is so fraught with meaning for him that by it he plans his actions. These values are realities which come into existence in the process of carrying on human life. We know, it is believed, what it is essential to know about them if we understand how they come to be and what they do. It may be, as Dewey says, that the value judged is not an existential quality noted, but "an influence attracted by the judgment to a given existential quality"; or an appropriate definition of value may be that it is "the congruity of an object of activity with the organized tendencies of will which seek realization in terms of the special situation."<sup>1</sup> The essential thing is that objects are in the judgment of the individual *good for* something. This means that they have value to him.

What light does this view of values and the valuation process throw upon some old questions about the nature of value? First, are values relative or absolute? In the technical sense that the term "value" has been used by economists to indicate the ratio at which units of goods exchange upon the market, values are of course relative. But we do not wish to identify the general concept of relative value with this limited use of the term. The preceding analysis of the nature of values sustains, it is believed, Anderson's argument that value is a quality, and that, in the case of economic value, it exists prior to exchange, and independently of exchange.<sup>2</sup> To call this quality of objects which is prior to and independent of market exchange "utility" or "desiredness," etc., is open to several objections, one of the most valid of which is that it arises, as has been indicated, in a *valuation* process.

Shall values then be called absolute in order to break away from the old concept of economic values as limited to

<sup>1</sup> *Journal of Sociology*, p. 70, J. E. Boodin: "Value and Social Interpretation."

<sup>2</sup> B. M. Anderson, Jr., *The Value of Money*, chap. I.

ratios of exchange between goods? It should be noted that values may be, and have been, called relative with a very different meaning, to emphasize, for example, that they are "instrumental" and "dependent," that they are not objective or intrinsic. To call values absolute lays one open to considerable criticism in these days when it has been demonstrated that "In the sense of an *absolute* meaning the words 'up and down,' 'before and after,' 'sooner and later,' are entirely meaningless."<sup>1</sup> Values are not absolute in the sense that they are independent of a particular situation. "Independent values are good for nothing."<sup>2</sup> The social sciences cannot call the values with which they deal absolute in this sense. Those, however, who come to the subject from the field of æsthetics would probably emphasize such a viewpoint; the values with which they deal seem especially to be independent and absolute.

But those who are interested in control, the problem of the guidance of conduct, see only instrumental, dependent and, in that sense, relative values. The value of which we speak is the practical judgment that an object is good for something. As Smart says in his "Introduction to the Theory of Value," "Value always implies a relation. It seems, in fact, to arise in the relation of Means to End." Further, values are not absolute, in the sense that they do not vary in degree, or that they may not be true or false, depending upon the issue of events. But, as will be seen later, values are not relative in the sense that the individual makes them for himself; or in the sense that they never constitute categorical imperatives to him. "Relative values when they become objects of choice may have an unconditional claim, and admit of no compromise."<sup>3</sup> The conclusion then as to

<sup>1</sup> *Science*, LI, p. 256, J. S. Ames: "Einstein's Law of Gravitation."

<sup>2</sup> *Journal of Philosophy*, etc., xv, p. 90, W. T. Bush: "Value and Causality."

<sup>3</sup> W. G. Everett: *Moral Values*, p. 7.

whether values are relative or absolute will depend largely upon what is meant by "relative" or "absolute." Values are real qualities of objects, but they have that relativity of all phenomena the existence of which is dependent upon human recognition and organization.

In the same way there is room for indefinite discussion as to the conscious state of the individual at the time of valuation. Shall we stress the appreciative, the intellectual, or the executive aspect of consciousness as the fundamental necessity of the value situation? The fact is that the possible elements of consciousness at the time of making a value judgment are independent variables. No one of them can be made all important. The degree of rationality varies as well as the degree of feeling or of desire. Desire is strong when there is a lack or privation, with knowledge of the means to the end desired. Feeling and emotion give tone and interest to life — it is impossible to conceive of life or activity proceeding with any vigor without them. But feeling is not the fundamental of the value situation. "Desire may be at a maximum and feeling at a minimum or *vice versa*" says Anderson, and "Neither desire nor feeling need be actual, present, conscious facts for value to be effective."<sup>1</sup> Analysis may show that desire varies with the strength of the original impulse and its organization into tendencies, and that the affective side of consciousness will be prominent when there is thwarting, conflict, privation or danger thereof. There is always the potentiality of feeling and desire, as well as of a critical examination of the valuation by intelligence. But, as has been said, these are all independent variables whose presence varies with circumstances; none is essential and always present in the value situation.

The one essential of the valuation process is that it is a choice or selection of modes of activity — it involves a response — it is the will to act coming to expression. Schnei-

<sup>1</sup> *Social Value*, pp. 101-02.

der, discussing the threefold analysis of the value situation in terms of subject, object, and end or purpose to be fulfilled, says that this is a working out of the problem in terms not of abstracted mental elements, but of activity as conditioned by the natural and social environment. The values which result from the complex, selective activity by which things acquire meaning as furthering or thwarting ends, are objective in that they are of the objects, and in that they are controlling and guiding factors of human experience, but they are not eternal qualities of objects independent of practical situations. Professor Tufts in an essay on "The Moral Life and the Construction of Values and Standards" says that the making of values is a process of judgment and choice which gives rise simultaneously to a self and a universe of chosen objects, as distinguished from a subjective consciousness of desires and feelings.<sup>1</sup>

So much for the general nature of the valuation process and the fundamental nature of values and of value judgments. The next question is how to differentiate between the different kinds of value, and especially what is the mark and test of economic value. The broad types of value with which we are familiar, moral, æsthetic, and economic, all seem to be on very different planes and very different in nature. Wherein are they alike and wherein different? They are all alike in this one respect at least, that all arise through the process described, of human tendencies and interests actively seeking expression in an external world, and, that, in this necessarily selective process, objects and activities are judged good or bad, valuable or worthless, from the standpoint of their furtherance or thwarting of the ends in view. There are many differences that might be noted between these highly differentiated groups or types of value, differences in the character of the objects or activities with which we associate them, differences in the attitude of individuals toward them, and in their seeming ob-

<sup>1</sup> *Creative Intelligence*, pp. 367-70.

jectivity. Æsthetic and moral values especially have a way of appearing as categorical absolutes, and as independent values, good *for* nothing, but good, in, and of, themselves. Economic values, on the other hand, are likely to be identified with the purely utilitarian and with what is called the material or the "lower" side of life.

Schneider points out that the values which result from the life process might be classified in many ways — according to varieties of valuable objects, according to the nature of the valuer, according to the purpose or end for which the objects are valuable, or according to types of value quality. In fact, every writer on value has usually his own classification of values — naturalistic and formal, "human nature" and institutional, etc. Schneider's conclusion is that the only way to distinguish types of value is to distinguish their functions in particular situations.

But do we not have here in the problem of classifying types of value the same problem that we have in analyzing human activity into moral, legal, economic, etc., and will not the viewpoint that has been helpful in showing the fundamental basis of the distinction in the latter case apply in the former? The fact is that the same situations which give us these different types of activity give us these different types of value. In carrying out our multifarious interests and purposes we encounter certain broad, pervasive situations which give rise to these broad types of activity and of value. For example, one such situation which the individual encounters is the existence of others. It is this complication which gives rise to the concept of moral values, and moral activity, and the concept of the non-moral and the immoral. It is the situation which creates a peculiar type of problem, of conflict, and of adjustment. Again, in carrying out our interests and purposes, whatever they may be, we encounter the pervasive fact of scarcity. The marvel is how few of our needs and interests can be carried into effect without this conflict. This situation makes necessary



an organization of effort, or economic activity, and gives rise to economic values. The problem of choice becomes a problem in the administration of limited resources. Free goods, so-called, correspond to the non-moral acts of ethics. They have values of other kinds, but not economic value since they involve no economic problem.

Further analysis of the situation which gives rise to economic values brings to light another element in the problem of discrimination and choice. The new element is the differentiation and judgment not only between good and bad, but between good, better, and best. The explanation of choice must comprehend not only how values in the sense of "goods" come to be and control activity, but also how choices between alternatives arise, or the concept of betterness. Dewey says, "It is a great error to suppose that we have no preferences until there is a choice. . . . The occasion of deliberation is an excess of preferences. . . . We want things that are incompatible with one another; therefore we have to make a choice of what we really want."<sup>1</sup> It is readily seen that when the realization of purposes and interests through the instrumentality of valued objects encounters the physical fact of scarcity or limitation of resources, the necessity of a choice between alternatives comes to the front. An evaluation process is in some way enforced, that is, a measuring of values, a comparison of values. The conflict and problems which the fact of social life injects into individual behavior, in like manner induces an evaluation of moral values and a division into categories of good, better, and best.<sup>2</sup> In fact, a comparison of values follows inevitably the perception of value quality. The idea of better and best follows naturally the idea of good. Degree of

<sup>1</sup> *Human Nature and Conduct*, p. 193.

<sup>2</sup> Anderson: *Social Value*, p. 25. "Value and evaluation are two distinct things. Value. . . is primary and grows out of the action of the volitional emotional side of human life; evaluation is secondary and is the intellectual process devoted not to giving value, but to finding out how much value there is in a good."

value — the concept of more so and less so — is part of the value situation and it is brought out and becomes important whenever a conflict makes a nicety of choice essential.

This process of evaluation, or finding out how much value there is in a good, takes two forms. It involves the formation of a scale of values, a hierarchy of interests, a range of preferences as between different ends and purposes. It means a systematization, a unification of values.<sup>1</sup> Or, in the second place, it may mean a comparative study of objects valuable for the same purpose and their arrangement into good and better. As a result of this comparison of values, there is an order in our preferences; we can speak of "necessities" and our most pressing wants.<sup>2</sup> We can classify acts or objects according to their degree or quantity of goodness.<sup>3</sup> This evaluation process as a measuring of value, an expression of preferences, of choices between alternatives, has received considerable attention in economic literature. It is Davenport's "relative marginal utility." It is a pre-market valuation process; it takes place independently of exchange, and must take place in order that economic activity may be organized and resources distributed.

Another question which arises in connection with the comparison of economic values is the relation of value to the quantity of the valued object — the relative value of successive units. For each economic good there is the ques-

<sup>1</sup> "Choice is not the emergence of preference out of indifference. It is the emergence of a unified preference out of competing preferences." John Dewey: *Human Nature and Conduct*, p. 193.

<sup>2</sup> Which interests are regarded as most essential, or which wants most pressing, will be seen later, Chapters VIII-X. We get our ideas of 'better'-ness in the same way as our idea of "good"-ness. Here the purpose is merely to emphasize that there is inherent in the nature of value a concept of value differences, of greater and less, etc.

<sup>3</sup> See *Journal of Philosophy*, etc., xxvii, p. 383, G. A. Kantin: "The Ideality of Values." This writer says we are using a standard for our values which needs explanation. "Where do we get this standard by which we assign degrees and differences of values to acts and objects?"

tion of "how much" or "how many" as well as "Is it better than something else?" We divide our valued objects into units as dozens, pairs, pounds, and gallons, for the purpose of weighing, counting, or making physical measurement of the quantity. Is there not a comparison of value, a difference in the degree of value, as between the first, second or third dozen, pair, pint, or other unit of measurement? Does not this variation affect the order of our preferences?

The marginal utility theory met this problem by the formulation of the familiar "law of diminishing utility," a generalized statement of the fact that we do not need or find valuable an indefinite quantity of any particular object. We need not go into the details of the explanation of this phenomenon offered by the marginal utility school. Theirs was a "psychological" explanation, open to the general criticisms which have been made of their theory of choice. But the fact they attempted to explain remains undeniable. We do not find that indefinite quantities of some one article continue to be valuable. We are not satisfied with mere quantity, with more and more of a particular thing, but require a wide variety of goods to meet our highly diversified interests and purposes. Although a given quantity of a particular object may be a valuable means to a desired end, yet additional units may be good for nothing. These are obvious facts about the value of successive units.

But is not the explanation of the whole situation described by the law of diminishing utility equally obvious? Is there not a fairly definite quantity of each commodity which is appropriate for a particular purpose? Two shoes, two gloves, one umbrella, one wedding ring, for example, are usually regarded as the appropriate quantity in each case to serve our purposes at any moment. There is nothing mystifying or peculiar about the quantity of the valued object found appropriate for the purpose in hand at any given time. It is rather obvious why, if I wish to write a letter, I need only one pen or one typewriter, or why we do

not equip our libraries with several thousand copies of the same book. The reason for the latter phenomenon is closely akin to the reason that we do not read and re-read the same page or the same word. Whether we wish to furnish a house, serve a dinner, or collect a wardrobe, the appropriate quantity of each is practically as definite as the type of each article required.

By an "appropriate" amount is not meant an absolutely fixed and definite quantity. There is occasionally a rigid quantitative requirement in the case of consumers' goods as in the case of producers' instruments. But the appropriate quantity is ever a variable except within limits. That is, there is always a minimum amount which must be forthcoming or the commodity will not be used at all, and there is a maximum amount beyond which no more will be taken unless for a new purpose. These marginal limits are, it is believed, closer together than is usually supposed. Most commodities serve many uses and the "elasticity of demand," or fluctuations in demand, are the result of this fact. Further, the fact is often overlooked that the unit of measurement of each commodity has usually been chosen with reference to the quantity in which it is commonly used. In the illustrations of diminishing utility a different unit of measurement is used for each type of commodity, an unconscious assumption of a quantity appropriate in each case. When we view the problem of quantity for the housewife acquiring new strawberries or peas, we do not imagine her hesitating whether she shall take one strawberry or ten. If she should acquire ten we assume that she intends them only for decoration, or in other words we assume a use appropriate to the quantity. Nor after acquiring a quart does she meditate upon the usefulness of one more strawberry or one more pea, but one more unit appropriate for the purpose in view.

Jevons says, "The law (of diminishing utility) may be supposed to hold true however small the increments are

made,"<sup>1</sup> but he immediately qualifies this by saying that this would only be theoretically true as applied to the individual, and that it could only be practically verified as regards the consumption of a large body of people. How it could even be theoretically true of the individual is not clear, since, practically, there are so many examples of articles that would be rejected if a minimum amount were not available. A yard of cloth has no value if one wants a dress, nor a single lamb chop if one is marketing for a family.

But with the concept of values as "instrumental" there is no peculiar difficulty in the problem of quantity. The problem of "how much" or "how many" as applied to consumers' goods is no more baffling in its fundamentals than the same question applied to different types of producers' goods. Since "goods" function as means to an end, the quantity is adapted with reference to that end. Values are instrumental. This means that there is a technique, often perhaps very imperfectly grasped, of realizing every interest. There is a "best" quantity, as there is a "best" valued object. The problem of quantity in the case of consumers' goods is analogous to the same question presented to the producer. Why does the carpenter use hammer and saw instead of two saws? or why does the farmer use both the plow and the harrow?

Widely different circumstances determine the appropriate quantity in the case of the different types of consumers' goods. In the case of many commodities it is the physiological needs or capacities of man which determine it. The feeling-tone of consciousness may be a useful guide in the problem of quantity, but the "law" is the same as in the case of other living organisms, plant or animal. The plant needs water but not an indefinite quantity, sunshine but not an indefinite quantity. It needs several food elements from the soil, but not one alone. It was this class of goods which usually furnished the illustrations for the "law of

<sup>1</sup> W. S. Jevons: *The Theory of Political Economy*, p. 52.



diminishing utility." It might be noted that the "law" governing the value of successive units of oranges or slices of bread is physiological rather than psychological.<sup>1</sup> In other cases it appears to be a social law or convention that governs quantity. This is true in regard to most articles that are symbols, wedding rings, for example. The utility of a second ring would be far different if it were the custom to wear one on each hand. Again, in the case of articles used jointly, as the components of a costume, a dinner, or a college education, the problem is closely akin to that of the manufacturer. These articles are raw materials which must be organized, or from which must be constructed the situation sought. The question of quantity is a problem of technique and adaptation to an end sought.

There are many illustrations of our attitude toward the practical problem of quantity as a phase of the evaluation problem. So patent does it seem that there is an appropriate quantity of any article that we consider any one insane who acquires indefinite quantities of any one thing, green silk umbrellas, for example. Almost every one knows some unfortunate who has shown this over-developed acquisitive propensity. Insanity we call it because it represents an inability to organize interests sanely and wisely and according to the conventional plan. The relative quantity of commodities is a part of our concept of the proper scheme of life, the one to be carried out if possible.

One distinguishing characteristic of almost all goods having economic value is their transferability. One cannot sell loyalty, or dispose of an over-supply of filial obedience and get in return a needed moral courage. One can however exchange books for bread and a surplus of wheat for a new coat. It is this exchangeability of goods having economic value which brings up questions in regard to their ownership and how rights of use may be acquired. But it is of further significance in that it makes possible what is known as

<sup>1</sup> J. S. Mackenzie: *An Introduction to Social Philosophy*, p. 238.

market or pecuniary value, or a measurement of economic values. Market values are the expression of the terms upon which quantities of economic goods exchange. They are ratios, if in pecuniary terms, ratios between money and a unit quantity of the various goods. In our society with production organized on the basis of exchange, the resulting market or pecuniary valuation is the device used to set the productive forces in motion, and to guide and direct them. These pecuniary values are enforced under a system of free enterprise by means of profits and losses, by riches or bankruptcy. If there is exchange of goods, terms of exchange inevitably appear. These ratios are the familiar market values or prices. The laws governing the amount of these values, the price tag on each commodity under different conditions, have been elaborated at great length and constitute an important part of economic theory.

Economic values exist independently of exchange, but if industry is organized on the basis of exchange, the terms thereof, the price ratios, become their common measure. Pecuniary value is the only common, exact measure of economic values that we have, and such a measure is necessary as a guide to production. The purchaser's scale of values or hierarchy of interests must be translated into a demand curve. Economic values must be in measurable, calculable form, must express themselves in market ratios, before they can influence the course of industry as it is organized to-day. As it happens, "Economic values are the only values definitely measured,"<sup>1</sup> because, as was said, most objects having economic value are "forms of purchaseable goods and services, which, however various in nature, can be measured through market processes."

In a sense there is a similar establishment of ratios between values whenever comparison and choice takes place. Any choice between alternatives involves evaluation, a

<sup>1</sup> J. A. Hobson: *Work and Wealth, a Human Valuation*, p. 456.

concept of more or less, better or worse. But pecuniary value reduces our commensuration to precision and exactness. As Cooley puts it, "We have, on the one hand, a world of psychical values, whose reality is shown in their power to influence conduct, and, on the other, a world of prices, which apparently exists to give all kinds of psychical value, general validity and exact precision."<sup>1</sup> The limitations, inadequacies, and imperfections of this common denominator, this measure that has been chosen to express those values that involve an economic problem, need not be developed here. Market values or prices tell us no more about commodities or services than yards, tons, or gallons, or other modes of measurement, but they are tools which enable the present economic organization to exist. A thermometer, or any measure, may tell us little about the nature of heat, but it helps us to control temperature. Market values or ratios of exchange are the exact, calculable form that economic values must take in order to influence the productive organization.

The analysis of the valuation process up to this point might be briefly summarized in this wise. It is an aspect of "tentative organic process," which results from the spontaneous activity of the human organism with its inborn tendencies and its acquired interests. By a selective process the stimuli or situations to which these inner coördinations shall respond are found in the external world. By this process there comes into existence a world of valued objects toward which the individual has definite attitudes and habits of reaction. It is by this process that, on the one hand, the world acquires meaning, and on the other a consciousness, a self, is built up. The external world acquires significance or value to the individual, and he organizes his behavior accordingly.

This analysis of the valuation process emphasizes two things, one the fundamental likeness of all types of value,

<sup>1</sup> C. H. Cooley: *Social Process*, p. 333.

the other that valuations are practical judgments, looking toward action. "A system of values is a system of practical ideas or motives to behavior."<sup>1</sup> Values, it has been said, have their seat in human nature, and "Life and the efforts to maintain life, are the raw materials of all values." "In sum, fundamental values are relations, responses, attitudes; immediate, simple, subjectively obvious and irrational. But everything else becomes valuable or rational only by reference to them. Study them or others empirically, and they appear as types of specific behavior, simple or complicated, consisting of a given motor 'set' of the organism, strong emotional tone, and aggregates of connected ideas, more or less systematized. In the slang of the new medical psychology . . . they are called complexes; ethics has called them interests, [and economics has called them wants]. They are the primary-units of which human nature is compounded, and it is in terms of the world's bearing upon their destiny that we evaluate nature and judge her significance and worth."<sup>2</sup> By this analysis it would seem that values arise as soon as life begins, and that the situations in which values arise vary from the simplest instinctive activity, or that governed by habit, suggestion, and association, to the deliberate weighing of possibilities for action, purposes to be carried out, and objects of value.

Up to this point only the origin of values in general has been considered. There has been little or no attempt to explain concrete, particular values — why this rather than that is estimated as good. Valuation has been presented as an individual process, and the resulting world of religious, æsthetic, and economic values as a separate and distinct universe for each individual. All such individualistic implications must, however, be corrected or modified to accord with our knowledge that although "consciousness is indi-

<sup>1</sup> C. H. Cooley: *Social Process*, p. 283.

<sup>2</sup> *Creative Intelligence*, H. M. Kallen: "Value and Existence," pp. 414-15.

vidual, its content is social in origin." The responses and attitudes of individuals are socially determined. The stimuli or situations to which the individual responds and the meaning or value which they shall have for him are earmarked and made known to him. In other words, judgments of value are thoroughly social in process. It will be readily agreed that moral and æsthetic values are in this sense objective and independent of the individual, but not so readily is it realized that this is true of economic values. But, in general, it may be said that all values which are important for control are social valuations.<sup>1</sup>

"In order to understand the world of values, we must take into account social organization — the social matrix into which our consciousness is born and in which it must find its meaning and definite fulfillment. Mind is organized and receives its content from the already developed world of social tendencies of which the individual forms a part. Values as we find them in adult experience are largely the result of social emphasis, suggestion, and organization. This social world of accumulated experience we assimilate largely at second hand. Society is ever at our elbow, admonishing, and compelling conformity to its standardized estimates of value. It bribes us with rewards, it threatens us with punishments, it exercises its constant pressure to make us into its likeness. Our instinctive and intellectual activities are thus canalized<sup>2</sup> and organized in the direction approved by the social mind; what we choose and value is largely the result of our desire to live as a part of society and win approval within it."<sup>3</sup> "It is the organized social matrix which judges in us for the most part rather than ourselves. And they come to seem our own

<sup>1</sup> *Journal of Philosophy*, etc., xiv, p. 153, H. W. Schneider: "The Theory of Value."

<sup>2</sup> Canalized means "the forming of special tendencies for adaptation to special types of stimuli."

<sup>3</sup> *American Journal of Sociology*, xxi, p. 69, J. E. Boodin: "Value and Social Interpretation."



values, because we have already more or less consciously, perhaps, assimilated the social standards.”<sup>1</sup>

Further, there must be added to our concept of values the fact of relationship between them. Values are not isolated. They are formed into scales of higher and lower, greater and less. They supplement and complement one another or are antagonistic. They are organized, unified and harmonized into systems in which the whole is greater than the sum of its parts. We have codes of morals and standards of æsthetic appreciation involving this principle. Not only is the “critique of value the business of intelligence applied concretely,” i.e., discrimination among ready-made social valuations,<sup>2</sup> but it is also the business of intelligence to bring about order and system among values — to give life as a whole some coördination and plan.

But it remains now to see concretely how the familiar economic values arise to guide consumers' choices and control economic activity. How, in detail, are they determined and what are their characteristics? The analysis of the values which lie behind consumers' choices can, it is believed, be made most readily, if approached by way of the most distinctive feature that the process of consumption presents, its organization by standards of living. The explanation of choice as it manifests itself upon the market will most completely comprehend the essential facts of the situation if put in terms of the genesis and growth of standards of living. Just as in the realm of ethics we find moral values organized in elaborate codes of rights and duties, so in the realm of economic values, we find standards of consumption, organized systems of the essential, the proper, the required.

We are, in fact, always explaining differences in con-

<sup>1</sup> *American Journal of Sociology*, **xxi**, p. 78.

<sup>2</sup> Dewey points out that we use models in making our value judgments and that the more completely the model was made before and outside of the specific situation, the less intelligent is the process.

sumers' choices, either as shown by preferences upon the market or in the course of utilization, by differences in their standards of living. These standards do exist and govern our consumption habits with a considerable degree of force and binding power. The process of consumption is organized according to certain standards of the appropriate and the necessary. These standards have the same power over individual activity as do legal or moral codes or current standards of æsthetic taste. By analyzing these standards, how they come to be and how they change, we shall at one and the same time explain the concrete facts of consumption and expenditure as they appear in the market place and within the household, and also throw much light upon the nature of economic values and the direction in which they guide economic activity. Here with these standards, varying from period to period, from country to country, and from class to class, is the evident starting point for an inquiry into consumption. How did they arise? How do they develop or change? What kinds of values are incorporated here? What is their power over individual conduct? Here is the field for the concrete, clearly defined study of economic values, their organization in positive codes or standards of the necessary and desirable with compelling power over individual activity.

## CHAPTER VIII

### STANDARDS OF CONSUMPTION

THE most striking fact that appears as one investigates the consuming habits of individuals or classes in different countries and periods is that they tend to take definite shape and form according to accepted standards of what is good and proper. The process of consumption, like other phases of human behavior, tends to organize itself according to the prevailing code of the fitting, the appropriate, and the necessary. All individuals as consumers have standards of living which they attempt to realize by market processes, and which are manifested in their concrete, material manner of living. This is the starting point for the analysis of consumption, this fact that consumers are guided, consciously or unconsciously, by standards which give continuity and uniformity to their activities. It is through the study of these standards — their nature and formation — that light will be thrown upon the problem of the consumer's choices. Here are comprehended the forces which determine these choices; through an analysis of standards of living should come a theory of consumption.

Nothing seemingly can be clearer than that the process of consumption does organize itself according to concepts of what is essential and obligatory which vary, not at hazard among individuals, but by classes, by countries, and by periods of time. The individual proceeds about this business of securing and utilizing economic goods no more blindly and as a law unto himself than he goes about the rest of his business in life. He has standards or criteria of what he wants. He knows what is essential and desirable.

If the individual is asked to state his problem as a consumer, he will ordinarily state it in terms which can be re-

solved into three factors: income, price level, and a necessary manner of living. His problem is not one of absolute income alone, nor even of income relative to the general price level, but it is these two taking into consideration his own code of what constitutes the minimum requirements for "decent" living. His problem as a consumer would be solved, or would become less acute, either if his money income should go up, or if prices should come down. Of course, if his standard changed in such a way as to exert less pressure upon his resources the result would be the same, but of the three contingencies this is most remote and most out of his control. In fact, although the ordinary individual may rightly feel that all three of these factors which make up his problem are governed by circumstances pretty largely out of his control, yet his attempts to solve it are usually concentrated upon income. This is the factor upon which his efforts are most likely to yield results. Over the existing price level he has no control; he must take this as he finds it. It is true that the manner of living must conform to the outcome of income set over against prices. If from a change, either in income or prices, the real income falls, the manner of living must yield to the pressure. But does the standard immediately change? Is not this enforced change in mode of living the very thing which constitutes the problem, and which explains the fear with which consumers contemplate the price structure and income level? Or assume that the real income rises suddenly. Does even the mode of living expand to the point where all resources are absorbed, or will there be a real decrease in the acuteness of the consumption problem, a diminution of pressure, a feeling of well-being?

In short, it is believed that whether we approach the problem from the angle of the individual consumer, or whether we view society broadly, and note how behavior in this line is organized, the one outstanding fact will be the existence and pressure of so-called standards of living. In

this concept are comprehended the significant facts of consumption. If we analyze the meaning of the phrase as it is ordinarily used, we shall begin to understand our economic wants and choices. Further, it is believed that the study of these standards will show that consumption is governed by the same forces that operate in other fields. Choices organized by standards will be found to run true to general psychological principles, and to what we are told of human behavior in a social environment.

"Standard of living" is a common phrase yet all the meaning, and the exact meaning, that is bound up in it does not appear immediately. It refers not only to the material mode of living, but to something more. The word "standard" has special connotations which are essential to the meaning of the phrase. "Standard" of living is not synonymous with manner of living. If it were, a study of consumption standards would be a description or inventory of the actual commodities, in some way valued and measured, which flow through or are used by a consuming unit, usually a household, during a given period. There are many purposes for which such information is valuable. It indicates in concrete terms of consumers' goods the purchasing power of a given income and is a test of its adequacy. It shows what an income means when translated into housing, food, clothing, recreation, etc. For this purpose numerous studies have been made of household budgets to ascertain the manner of living of the lowest income groups. It enables the investigators to determine whether the manner of living possible for these groups corresponds with a previously formulated concept of a minimum standard of subsistence, health and decency. In other words, to all such studies is applied a standard — that is, a concept of the minimum requirements for healthful, decent life.<sup>1</sup> We may say then

<sup>1</sup> It is interesting to speculate where we get these standards or concepts of minimum requirement which we apply in such studies, or in settling labor disputes or issuing minimum wage orders. Is this minimum standard ab-



that the manner of living is not the standard; it is something which reveals or throws light upon the standard. By the study of the objective mode of living of a group we may arrive at fair conclusions as to the standards by which it is organizing its consumption. Especially, if it is the customary or habitual manner of living of the group, is it likely to express its standards.

What then is the thought which is essential to the full meaning of this phrase as we ordinarily use it? What is involved in the word "standard"? The point seems to be that a standard of living is a psychological fact. It is an attitude toward, a way of regarding, or of judging, a given mode of living. It is a subjective view of certain objective facts. A standard implies a measurement, an evaluation, a judgment according to some accepted model. It is that "scale of preferences," that "hierarchy of interests," that code or plan for material living which directs our expenditure into certain channels and satisfies our sense of propriety and decency as to a mode of living. It is our standard of living which places goods as essentials or non-essentials, and which determines whether we are tolerably well-content or acutely dissatisfied with our material status.

This standard of living is not an ideal standard, or one's concept of the best imaginable in the way of material living. It is quite possible to construct such an ideal. With most people it takes the form of the mode of life of a recognized superior group, that is, a group to be imitated. But this ideal has not the moving force, the power to influence conduct, of the existing standard. We will not work as hard to put this ideal into effect, as we will to maintain the "felt," present standard, or feel as dissatisfied if it is not attained. The ideal standard is the substance of things *hoped*

solite, fixed and unchanging? Is it merely applied "common sense"? Is it the verdict of experts formulated with scientific precision? But the question how we get our minimum standards is the same as the one now under investigation, where do we get any of our standards of living?

for. But the ends comprehended by the actual standard are those which it is *incumbent* upon one to realize. Inability to satisfy these ends, to maintain the standard which one holds, causes a feeling of insufficiency and of privation. A person may feel either rich or poor upon five thousand a year. A large margin, a residue of income, above that necessary to maintain the standard means a feeling of well-being, of sufficiency. There is in that case a wide margin of choice above the necessary expenditures. There is no way of explaining the common attitudes of different individuals and of different classes in different countries and periods toward the consumption side of their economic life except by this concept of standards.<sup>1</sup> The positive proof of the reality of these varying concepts of what is appropriate and necessary is found in these varying attitudes and the relative nature of our concepts of "well-being," "privation," "sufficiency," "necessity," and "luxury."

The full content and significance of the standard of living concept can probably best be developed by noting some of the more obvious characteristics which it presents. The striking thing about the forces which guide our habits of consumption is how much they are like those which shape our habitual attitudes in other lines. There is nothing surprisingly new and different about the behavior of human beings in this field. It is<sup>5</sup> all of a piece with their other responses and reactions. This appears most clearly in the

<sup>1</sup> The recognition of the existence of these standards was incorporated into Austrian theory by Patten in his development of the concept of complementary utilities. From this he worked out his law of harmony — that total utility is increased by the proper combination of complementary goods or may disappear if an essential element of the group is not forthcoming. The total utility of a group is not the sum of the separate utilities of the individual components. The utility of the group is a new thing, a joint product. This applies, of course, to all cases of joint demand where what is sought is a joint product which is an entity with a utility all its own. A standard of living in terms of this theory is a group of complementary utilities. Watkins develops this idea in his *Welfare as an Economic Quantity*. See S. N. Patten: *The Consumption of Wealth*, and G. P. Watkins: *Welfare as an Economic Quantity*.

first point to be noted about our standards of living, that they are not something which each individual has evolved for himself and which vary from individual to individual. They are not individual, but group or mass phenomena. As such, the suggestive analysis worked out by Sumner which throws so much light upon group attitudes can be applied to them.<sup>1</sup> They are a part of the folk-ways or mores, that is, they are ways of doing things which are current in society to satisfy needs and desires, together with the standards, codes, etc., which are inherent in them.<sup>2</sup> They are like the individual's moral and æsthetic codes. They conform to Sumner's definition of the mores as "folk-ways with doctrines of welfare implicit in them."<sup>3</sup> It is this doctrine of welfare implicit in them which gives them power over the individual and calls forth the pressure from the group to compel adherence to them.

Sumner recognized standards of living especially as instances of "products of the current mores."<sup>4</sup> As such they have the attributes which can be ascribed to all the mores.<sup>5</sup> They have the authority of the accepted, of the traditional. They represent that type of attitudes for which we require no argument. They are so because we feel it proper that they should be so. Like many other values, those comprehended in the standard of living are "in origin and character irrational." As James says about such values, "Science may come in and consider their ways and find them useful, but they are followed because it is the only appropriate and natural thing to do." It is a matter of course. Again, standards of living are true to type in that, as most of the other mores, they are largely unrecorded. Further, it is true of our habits of consumption that they are "inert and rigid," "persistent yet variable" and "cannot be changed suddenly or radically." And, finally, it is the fact that each class or group has its own standards from

<sup>1</sup> W. G. Sumner: *Folk-ways*.

<sup>3</sup> *Ibid.*, p. 30.

<sup>4</sup> *Ibid.*, p. 41.

<sup>2</sup> *Ibid.*, p. 59.

<sup>5</sup> *Ibid.*, p. 68.

which it is reluctant to depart, that makes it "difficult for the individual to change from one group to another without constraint, embarrassment and discomfort." Bosanquet points out in an essay on "Luxury and Refinement" how our relations of daily intercourse are affected by the prevalent standards. If standards are different, it is a great bar to social intercourse in that it means a lack of tastes in common.<sup>1</sup> This may actually be more of a bar by creating aversion and dislike than differences in religion or in morals.

Standards of living are social products also from the standpoint of their psychological formation. They, as all our modes of thought and activity, are formed by the "give and take of many minds." "All that we know of mind indicates that it has been developed in and through the social life process, that is, through the interaction of mind with mind in the carrying on and controlling of a common life process."<sup>2</sup> By a social process systems of value arise, and just as moral and legal values are reflected from moral and legal codes, economic values are inherent in and are reflected by the accepted modes of living. Anderson has developed and emphasized the social nature of values in the psychological process of their formation and their relation to the individual. Just as "Morality is the product of an organic society, the product of an interplay of many minds,"<sup>3</sup> so these modes of activity involved in consumption are the resultant of the "give and take of the larger mental life."<sup>4</sup> An evidence of the social character of our consumption standards is found in their uniformity and stability. Without this "universality and uniformity in these reactions which show that they are controlled by law," there would be chaos not only in consumers' activi-

<sup>1</sup> Bernard Bosanquet: *Civilization of Christendom*, pp. 268-303.

<sup>2</sup> C. A. Ellwood: *Sociology in its Psychological Aspects*, p. 121.

<sup>3</sup> B. M. Anderson, Jr.: *The Value of Money*, p. 23.

<sup>4</sup> *Ibid.*, p. 20.

ties, but in producers' also. It is the stability of our consumption standards, and their change in predictable directions which make possible a roundabout system of production in which supply precedes demand. It is the group nature of these standards which makes production in quantity possible in so many cases.

The social nature of our scales of preference or standards of living is shown most clearly by the attitude of the individual toward them. He regards them as imposed from without, and as having guiding, compelling power over his conduct. That this is true in the case of our moral standards would be generally accepted. So much is it true that moral values come to be regarded as absolutes, admitting of no compromise whatever. But that it is, although to a lesser extent, true of our standards of consumption was brought out in the preceding analysis of the individual consumer's problem into three factors, money income, price level, and standard of living. It was emphasized that over no one, unless it be income, has he control. It might be said of all three, that they are facts "as external, as objective, as opaque, and stubborn, as the weight of an object or the law against murder."<sup>1</sup> As was pointed out long since,<sup>2</sup> in these obligatory standards for consumption is found a limitation upon the individual's freedom of choice. Only in a qualified sense is he free; his choices are socially controlled; there are penalties for choosing wrongly.

The power of standards of living to influence conduct has long been recognized in economic theory. The main use hitherto made by economists of the concept of standards of living has been in connection with population theory. Malthus' theory was but an emphasis upon the necessity of choice for society and for the individual between the maintenance of a minimum standard and an increase in numbers. In all the subsequent statements of population

<sup>1</sup> B. M. Anderson, Jr.: *The Value of Money*, p. 26.

<sup>2</sup> *Supra*, p. 45.



theory the power of those values which represent appropriate and decent living over the individual is strongly emphasized. The individual's concept of the tolerable and decent way for a family to live, his minimum standards of subsistence, education, etc., are conceived as vital forces with power to change the marriage age and rate, and the birth rate. Here is no standard which is changed at will, but an inflexible attitude which sets up that which is essential and requisite, and directs conduct accordingly. The use of the standard of living concept in population theory has been altogether with reference to its power over the individual, and to the part it plays in governing his conduct.

The self-regarding turn that has sometimes been given to the individual's refusal to marry and have children unless his income reach a certain amount is not altogether fortunate. This attitude is not explained by the threatened sacrifice of present enjoyment if the support of a family is undertaken, but by the fear that the minimum standards for respectable family life could not be maintained. Standards of living are ordinarily family or household standards, not those for independent individuals. The income is judged sufficient or insufficient with reference to this family standard.

The compelling, motivating power of the values comprehended in a standard of living may again be illustrated by pointing out that there are penalties for failure to accept the normal and accepted mode of living of one's class. There is a possible loss of economic status of which a great deal of our consumption is a symbol. There is the disrepute which attends the neglect of some duty or interest which is considered essential; the individual is "Bohemian," only semi-respectable; he is queer. The code for material living embraces both "Thou shalt's" and "Thou shalt not's," with a considerable preponderance of the former. Failure to live up to one's presumed standard usually involves acts

of omission. It is a code with an abundant positive content, more detailed probably in its regulations than either the moral or the legal code. We are prone to contrast the simple life of earlier days with the complicated requirements of the present. It is not only in money that the present standards of living make demands upon us, but in time and energy. Consideration of the penalties incurred by the individual for violating the unwritten laws of his standard for consumption suggests that, just as prices and profits enforce upon individuals as producers certain lines and methods of production, standards of living are devices to enforce upon individuals as consumers certain social concepts of welfare. Both schemes of value have motivating power because of social organization.

The strength of standards of living over the individual is well shown in the resistance that he offers to a threatened lowering of his consumption below the standard. Only under the pressure of the strongest motives, and with the greatest reluctance, is there a voluntary abandonment and withdrawal to a lower level. There are relatively few examples of an individual voluntarily lowering his mode of living. The pioneer family, the temporary retrenchment to secure a coveted goal as an education, or to get a start in business, the group or individual that is animated by some ascetic ideal of plain living, are illustrations. Generally, they fall into two classes, those who expect the departure from the accepted standard to be only temporary, and those under the influence of some strong religious or other emotional appeal. War time witnesses presumably some voluntary reduction in the mode of living. To cut down expenditures, to sacrifice, to save, to turn "communal resources to communal ends" is patriotic. But even patriotism cannot always change consumption to the extent that is necessary, and compulsion must be used.

One question that suggests itself in this connection is whether the reluctance and discomfort which, obviously,

accompany the lowering of the mode of living is merely that which attends any change in habitual activities. Do we cling to that to which we are accustomed merely because of the difficulty of forming new habits and without any feeling as to the propriety and necessity of the old ones? The reluctance with which habits of consumption are changed may be partially explained on this basis. Especially where bodily habits and physical tastes are in question, the dislike of the change may be due to physical discomfort and lack of adaptability to new situations. But this will not explain the whole of the resistance which the individual puts up to a threatened lowering of his mode of living. Not all changes are distasteful, and the mode of living which may be painfully felt as beneath the proper standard, may not, usually does not, involve any actual bodily discomfort. Overalls and a soft collar should, it would seem, be just as comfortable as the latest from a Bond Street tailor.<sup>1</sup> A mode of living above the standard is sought for and enjoyed, regardless of its demoralizing effects upon old habits, and of the adaptation that must take place. More elaborate modes of consumption, which are almost universally welcomed, mean changes in habits, and, from the purely physical standpoint, often as much physical discomfort as the movement downward. In other words, the standards, the attitudes, the values, remain the same in either case and explain the reluctance to accept a mode of living below the standard and the "pain" involved, as well as the eagerness to accept the mode above, and the enjoyment of it.

One interesting element in the situation is that if the "simpler life," the lowered mode of living, is known to be voluntary, or if "every one" else is adopting the change in question, the disagreeableness is partly removed. This is,

<sup>1</sup> A simple mode of living is often adopted for a summer holiday because it is physically less wearing than the accustomed one. In fact, it is often the simplicity and the primitiveness that make the holiday.

of course, simply an indication that the material mode of living is, to a large degree, merely the visible symbol of social and economic success. The stigma is removed if the symbol is in some way kept unimpaired. The primitive life enjoyed upon a summer holiday would not be satisfactory if it were not known that we were "roughing it" for a change, or if it were not voluntary. Even when the mode of living is voluntarily lowered from strong religious, patriotic, or other sentiments there is still a feeling of sacrifice and of privation. The sacrifice may be gladly and cheerfully borne, but there is never complete forgetfulness of the martyrdom. There is felt to be a lack of economic well-being unless there comes a readjustment of values, a realignment of interests, in relation to the effective power of realization.

Examples of the compulsory lowering of the mode of living below the standard are, of course, numerous under the vicissitudes of the present economic organization. The fluctuations of that uncertain factor, income, are always threatening individuals with this blow. If the threatened contingency of market change, unemployment, or illness occurs, the family income diminishes, the border line is passed, and the family is involved in privation, insufficiency, and struggle. Individuals may move into another income group, but not at once into another standard group. We rely upon the feeling of privation and insufficiency that comes when a family is no longer able to meet the minimum requirements for decent living according to their standard as a stimulus to exertion — upon that, and the less potent but still effective, desire to attain, not only the necessities, but the luxuries of life. The effectiveness of our system of private property and individual responsibility hinges pretty largely upon the strength of these motives to exertion. A serious situation both from the individual and social standpoint is created when a large group such as the "submerged tenth" have no standard which in any way approximates the common concept of a tolerable minimum. "If only the

poor were discontented," say social workers. It is upon discontent with conditions relative to a standard that we rely for incentive to economic activity.

Another familiar example of threatened standards is the result of a rise in the general price level. Here the discontent and dissatisfaction of those whose incomes lag behind, or do not respond to, the general rise, often take audible form, because the individual feels that he is being imposed upon, and his scheme of living impaired, by forces for which he is not even formally responsible. Another less frequent cause for a general, compulsory lowering of the manner of living is that which comes about under war conditions, from the pressure upon supplies. Under these circumstances there are many factors to counteract the feeling of deprivation — the feeling of patriotism, loyalty, willingness to carry out the social will, the knowledge that all are sharing to some degree, the belief that it will be temporary, the absence of any personal stigma or disrepute for the change. But it is questionable whether these are ever sufficient to counteract the feeling of sacrifice, the desire for compensation and the feeling that this is not the proper mode of living.

The power of the standard of living over the individual, then, is shown in the struggle that he will make to maintain it. But is he content when he is just able to meet its demand? Is it merely lack of security which impels him on to increase his margin of resources over and above his minimum requirements? No, because there is another quality of our standards under the present social organization to be reckoned with. The standards themselves are *dynamic*. That is, there are forces within them impelling to change, to an expansion of the mode of living above the minimum requirements, to experimentation with non-essentials. This dynamic quality of our standards means a constant tendency for the individual to depart from the standard in the direction which to him is upward. Yet it is believed that



the resistance to pressure downward is stronger than the effort to move upward. The individual will not exert himself as much to improve his mode of living above the standard as he will struggle to maintain it; he will not feel privation and dissatisfaction to the same extent if he is unable to live above his standard as if he had fallen below. There is, however, always to be taken into account this constant urge to improve and to press beyond the present consumption level.

Another point to be emphasized in regard to our standards of living is that, as Anderson says of all social values, they reflect "the concrete whole of our social mental life."<sup>1</sup> "Social life is one organic whole. There is no phase of individual activity which is wholly directed by one set of values, and there is no one set of values that exclusively depends on one sort of motives."<sup>2</sup> There is not one set of motives that governs in the consumption realm and another in another realm. It is the whole personality of the individual which expresses itself in the material manner of living, in the organization of consumption, as in all his other activities and behavior. Standards of living, consumers' choices, reflect the total environment of the individual, the "cultural content" of his age and group, as do his other codes and standards. Veblen has clearly displayed the bent and bias given to human relationships and standards by the institutional system of the time. A "barbarian" society, a régime of status, a pecuniary organization, respectively, color and control all our modes of thought and of activity — they pervade and are reflected throughout the whole of life.

This emphasis upon the unity of life, upon the expression in all our standards of the total environment, of the total personality, upon the reflection in all our values of all the dispositions and interests of the individual as they are moulded by social institutions, places in its true light the

<sup>1</sup> B. M. Anderson, Jr.: *Social Value*, p. 148.

<sup>2</sup> *Ibid.*, p. 147.

nature of the economic motive and of the economic interest. Economic activity is not bound up with any one type of needs or purposes. It is not concerned with satisfying the "lower" wants, or the purely material needs. Rather, it should be said that economic activity arises whenever any human purpose or interest is thwarted in its fulfillment (and most of them are to some extent), by limitations upon resources. Economic activity arises to assist us in carrying out our purposes, *whatever they may be*.<sup>1</sup> It is not to be inferred that economic activity alone will always bring about the end we have in view. Sometimes it practically does so, again it is only the beginning, or is incidental to a larger problem of achievement. It may play a more important rôle in meeting the needs of the body, than those of the mind or soul, but it is obvious that the distinction between economic and other activity could not follow exactly these lines.

The fact is that the "maladjustment of man and nature" reaches farther than to food, clothing, and shelter. It affects and coerces man as a creature needing health, sociability, knowledge, beauty and rightness.<sup>2</sup> This means that our standards of living, our scale of economic values, will reflect all these purposes. They will reflect all those purposes and ends which depend for their realization upon organization of effort or economic activity. Thus it is that as our general scheme of life changes, our standards of consumption change with it. Our scale of preferences, our concept of essentials and non-essentials, is altered by a conversion, religious or dietary, by the development of a taste for outdoor sports or for literary pursuits or by a newborn desire to propagate a cause.<sup>3</sup>

<sup>1</sup> See P. H. Wicksteed: *The Common Sense of Political Economy*, p. 168.

<sup>2</sup> A. W. Small: *General Sociology*, p. 444. "All acts which the individual performs have been for the sake of health, wealth, sociability, beauty, or righteousness." But is not wealth instrumental in securing the other interests?

<sup>3</sup> J. A. Hobson: *Work and Wealth, a Human Valuation*, p. 335.

Finally, some of the characteristics of the standards which guide consumption may be shown by contrasting the attitude of individuals in their producing and in their consuming capacity.<sup>1</sup> The two complementary processes, production and consumption, have been so sharply differentiated under the present economic organization that they have come to be quite far apart in the mind of the individual, and his modes of thought regarding them are strikingly different. The terms in which he thinks of one are not the terms in which he thinks of the other. 'Indeed, it might be said especially in American life that he does not think of consumption at all. Production may be so fascinating that it becomes an end in itself, and consumption only a necessary evil.

As has been repeatedly pointed out, production when organized as now upon a pecuniary basis becomes in almost all its phases a calculating process. It has been well said that the present system of production is a triumph of economic rationalism. Foresight, judgment, information, shrewdness, are the qualities demanded of the individual producer who is in any sense a "free" enterpriser — and these alone guide the productive process. The qualities upon which the market places a premium are emphasized. The individual as producer, rationalizes his behavior by applying to it the exact tests of the pecuniary calculus. The business as a producing unit, tends to free itself from the control of both impulse and routine, and to organize itself on the basis of careful and exact calculations based upon the records of the past and estimates of the future.

Contrast consumption, as it shows itself in expenditure and market choices, with production in respect to the degree to which rationality controls the process. Here is the field wherein, it is recognized, blind impulse, suggestion,

<sup>1</sup> See *American Economic Review*, II, pp. 269-281. W. C. Mitchell: *The Neglected Art of Spending Money*, and J. A. Hobson: *Work and Wealth, A Human Valuation*, pp. 109-12.

custom, convention, and fashion, all hold sway. The spending of income which is the manifestation of consumers' choices is truly, as Mitchell says, a neglected, backward and conservative art. Some changes are blindly resisted, others are eagerly welcomed, but in neither case for intelligent motives. The reasons for this state of affairs are not difficult to see. Whereas in industry the organizer has a definite test to guide him in all his operations and to indicate the success or failure of his activities, the organizer of consumption has not. Further, individuals as consumers, are not forced to take thought and to revise their methods by competitive and pecuniary forces.

The ends toward which expenditure for consumption is directed cannot be exactly formulated nor can the means for attaining them. The household, the center for consumption, is run not for profit, but for the comfort and convenience and well-being of its members. But "comfort," "convenience," and "well-being" are vague and undefined, if not undefinable, terms. It is difficult to carry out these purposes upon the market and express them in concrete goods. The test of success in the productive process is found in the market and in the results of the exchange process, but the tests of success in consumption, and its attendant process, expenditure, are difficult to formulate and difficult to apply. The same obstacles are in the way of improvements in the technique of consumption. There are no exact and definite tests or standards to apply to innovations. It is this situation in regard to the standards and purposes which govern consumption, which more than anything else places the consumer as purchaser, in a distinctly disadvantageous bargaining position in his encounter with the producer. He does not know at all what he wants, or he does not know exactly, or he does not know it when he sees it. The possibilities which this opens for control of choices by the producer and for adulteration, substitution, and fraud are apparent.

In summary form, what are the conclusions as to the general nature of our consumption standards? They have been compared to the folk-ways or mores of the group; they have been shown to be a part of the social inheritance of the individual; they are social products from the psychological standpoint, formed by the interaction of mind against mind. The individual regards them as imposed from without and as binding upon him. They have power to control and govern conduct. They reflect the entire personality of the individual, and the "cultural content" of his group and time. And, finally, while the complementary process of production has tended more and more to become a calculating, deliberate process, based upon information and the exercise of judgment, the process of consumption, and the expenditure which it necessitates, have remained largely unrationalized, neglected, backward arts. It remains now to go in greater detail into the formation of these standards of living — how they originate, and how they develop and change.



## CHAPTER IX

### HOW STANDARDS OF LIVING COME TO BE

THE problem of how standards of living come to be can be regarded at the outset as an individual problem. We can inquire how each individual comes to have his particular concept of what is desirable and essential in the way of a material mode of living. Where do we, as individuals, get our standards? What determines their component parts? How explain this item and that? What is the process by which these minimum requirements for consumption become a vital part of our world?

An answer to these questions is usually quickly forthcoming. There does not seem, at first hand, perhaps, anything particularly mystifying about the source of these values which guide our consumption choices. It seems as natural and clear that some things are necessities for comfortable, decent living, and that individuals desire them, as that some situations are funny, and people laugh at them, or that other things are beautiful and people admire them. Such commonplace facts seem easy to explain or indeed so self-evident that they require no explanation. Things are necessary, funny, beautiful, good, simply because they are. This was once regarded as a sufficient explanation. Here is the individual with his needs, real or imaginary; there are the utilities with qualities which enable them to satisfy his wants. Knowledge of their existence leads him to choose them. The world is made up of intrinsically desirable goods, and the individual knows them by the pressure of the desires which they satisfy. In the same way the individual discovers moral actions by listening to an inner voice, and beautiful objects by the action of a special æsthetic faculty.

But these explanations which say, in effect, it is so because it is so, or it is so by the very nature of things as they are, are but restatements of the problem, a presentation of the situation which it is sought to explain. The individual prefers things which satisfy his wants, it is said, and these things he has chosen do satisfy his wants as shown by his preferences. We no longer attempt to explain moral and æsthetic values in this fashion. We no longer say that moral and æsthetic values are made known to the individual by the operation of an intuition or faculty which discriminates between intrinsically different objective facts. We no longer even try to find a class of inherently humorous situations. We say all those things are funny which cause us to laugh. We must likewise carry our inquiry into the individual's consumption standards farther than this first analysis of the situation would take us with its deceptive simplicity.

But, if, in the case of standards of living as with our moral codes and standards of æsthetic taste, we drop the archaic explanations in terms of intuition, faculty, and felt wants, and substitute the general terms of custom, convention and tradition, are we progressing toward a more illuminating point of view? Certainly it is not difficult to show that many of our consumption values are socially determined and sanctioned, and are a part of the social environment into which the individual is born and in which he lives. Abundant illustrations of inheritance can be found among the elements of our standards; most of our tastes have been cultivated, and our habitual attitudes are the result of training and tradition. Other elements are clearly of contemporary growth, but are no less socially formulated and sanctioned. They may be variously ascribed to suggestion, convention, and fashion.

There is much that is suggestive in the application of these concepts, furnished by the study of social organization and control, to the problem of consumers' standards

of choice. In these terms of current convention and fashion, of custom and tradition, a fairly satisfactory account can be given of the various elements of our standards. Such an account emphasizes and provides detailed illustration of what has previously been said of the social nature of our values, that our standards are group phenomena, and that the individual takes them over pretty largely ready-made.

We have not, however, satisfactorily accounted for our standards, either when we list and classify "felt wants" and their objects of gratification, or when we emphasize their social origin, and show their basis in custom, convention, or fashion. Suggestive and interesting as the latter analysis may be, it leaves unanswered several important questions about the origin of our concrete standards. Even the standard of the individual is not fully explained if we say merely, custom, convention, fashion. It is true this shifts the responsibility for the concrete items from the individual to society, and to the forces of social control and unification, but we must explain why these modes of behavior suggested by the group are adopted. Their sanction, the source of their imperative, must be indicated. Before the individual responds, and adopts the customary or conventional attitudes which we see reflected in his behavior, they must appeal to some inner co-ordination. They must be an outlet for some impulse already there. A man speaks a particular language or adopts a particular religion because it is a folk-way or folk-belief. But why does he ever try to talk or desire a religion? There must be some analysis of that within the individual which makes the adoption of these standards the easiest and best way of carrying on his activities.

But there is still another group of problems involved in an approach to our concrete standards as expressions of social custom, tradition, and suggestion. As was said, an explanation in terms of custom, etc., merely shifts responsi-

bility from the individual to society. As Jung says in discussing our instinctive propensities, "The statement that instincts are always inherited does not explain their origin. It only puts back the problem to our ancestors."<sup>1</sup> We do not explain the origin of an art, a language, or a religion merely by saying each one of us received it from our fathers. To explain our standards of living we must go back to a social process, but once we are there, we are beset by a variety of questions. How do these customary or conventional values which compose the standard originate? By what process do the social attitudes which are incorporated by the individual into his standards arise? What about the concrete items or elements of our standards; if they were suggested to the individual by society, how were they chosen by society? What is the basis for the selection of certain situations or objects as norms of conduct, as good, beautiful, desirable? What will receive the social sanction and why? Answers to these questions will, it is believed, approach the heart of the problem of how our standards of living come to be.

Custom, convention, fashion are often used in such a way as to gloss over the problem, to indicate in a general way the social forces at work, but without pushing the inquiry below the surface. It is true that much of our activity — in consumption and elsewhere — is customary, conventional, habitual, and these words have to us suggestive connotations. But there are many questions to be asked before we can explain the origin of the specific norms of our conduct. The sources of our standards of living lie partially within the individual and partially without in that realm which "others" rather than the "self" control. There is first the question of cause and process of their formation from the individual standpoint, and then of cause and process from the standpoint of the governing group.

<sup>1</sup> *British Journal of Psychology*, x, part 1, p. 17.

A. SOURCES OF OUR STANDARDS OF LIVING FOUND  
WITHIN THE INDIVIDUAL

First, then, the problem how, from the standpoint of the individual to whom they apply, did the norms for material living, the scale of essential economic values, originate, and how are they presented to him? In the first place, it seems quite clear that our attitudes toward goods for consumption purposes, that is, our consumption standards and values, are made of the same stuff and by the same process as our other attitudes and standards. This stuff from which all our attitudes, values, or sentiments are made, their basic raw material, consists of the inborn tendencies of man attempting to realize themselves in ways afforded by the environment. All activity, all behavior, goes back to these native tendencies or dispositions to feel and to act in certain ways as the external world provides an outlet. Original nature is the ultimate source of all values, says Thorndike. Interests, which are the last elements into which we can reduce human beings, explain the activities of men, says Small.<sup>1</sup> "The great source of all impulses and desires in man, and hence the roots of all value, are to be found in the primary instincts and other innate emotional tendencies."<sup>2</sup>

Thus we come back to the inner organization, with its sets of inborn connections, predetermining activity and values. We see the organism with its inborn tendencies, its hereditary pattern reactions, expectant of and seeking stimuli, which "do not enforce action, but furnish the occasion or opportunity for it to take place along the line demanded from within." We see the consequent valuation process as mind, the selective agency, discriminates among the objects and situations of the external world and

<sup>1</sup> Albion W. Small: *General Sociology*, p. 426.

<sup>2</sup> *Philosophical Review*, 1915, p. 166, W. K. Wright: "Evolution of Values from Instincts."



evaluates them as appropriate and good for carrying out these tendencies and occasioning response.

What we attend to, what has interest for us, what induces an impulse, what brings about desire, is then, broadly and generally speaking, determined for us by our original nature. Even the highly evolved consumption standards of the day find their roots in these psycho-physical dispositions of which the individual is made up, and of which his life is the expression. Only by dark and devious ways can some of the elements of our standards, some of our values which are the product of a complicated, roundabout manufacturing process, be traced back and resolved into their basic raw materials. But upon the whole, this breaking up and reduction to fundamentals is fairly easily accomplished; the primary basis of our values is fairly clear. Not only do the specific values comprehended in the standard find their ultimate source in original nature, but here lies also the explanation why there is a standard at all, that is, a socially determined and sanctioned code of behavior. The roots of the forces of custom, convention, fashion, too, lie in the innate tendencies of men. The social process by which specific attitudes and standard come to be can be shown to be instinctive in its origin.

One difficult question confronts us at the outset, one that as yet has no satisfactory answer. What is the "original nature" of man? Which of his tendencies and dispositions are innate? Which of the existing "sets of connections" which make up his inner organization are inborn and which acquired? Which of our "pattern reactions" are hereditary and which are non-hereditary? Every treatise on psychology has a list of "instincts," and every one of them differs.<sup>1</sup> McDougall has eleven primary in-

<sup>1</sup> Watson says no one has as yet succeeded in making even a helpful classification of instincts. *Psychology*, p. 234. "Opinions about the rôle of instincts in human psychology differ widely. Thus William James held that man is filled with instincts, while others have restricted the number of instincts to a very few processes only slightly different from reflexes."

instincts<sup>1</sup> while Wallas maintains that man has many thousand inherited dispositions to act in specific ways under appropriate circumstances.<sup>2</sup> Watson says that the geneticist is likely to over-estimate the number of original tendencies, the psycho-analyst to underestimate them. He himself reduced the number of Thorndike and James considerably. He emphasizes the capacity in man to form habits, and denies to him anything like the instinctive repertoire of the animal.<sup>3</sup>

The fact is, that it is very difficult to draw the line between the hereditary equipment of psycho-physical dispositions and those that are acquired during life. Learning, or the building up of non-hereditary modes of acting, the making of new connections, the formation of new interests, begins so early that it is difficult to say what part of our behavior is hereditary and what part is a modification or combination of inborn traits and a building up of habit. It is certain that the individual at a rather early stage of his existence displays a remarkable variety of reactions and attitudes and that his behavior is a highly complicated pattern woven, partly from his inborn tendencies, and partly from later establishment of inner coördinations. "So far as the functioning and value of these attitudes to the organism, so far as the rôle they play in daily life, so far as their backward and forward reference in the life history of the individual are concerned, it makes not a whit's difference what factors these capacities are analyzable into."<sup>4</sup> It is not so much a question whether the reactions in question are hereditary or no, but whether

See, however, *British Journal of Psychology*, x, part 1, p. 19, C. G. Jung: "Instinct and the Unconscious." Jung believes that "human actions are influenced by instincts to a far higher degree than is usually admitted."

<sup>1</sup> Wm. McDougall: *Social Psychology*, pp. 45-89.

<sup>2</sup> Graham Wallas: *The Great Society*, pp. 52-53.

<sup>3</sup> J. B. Watson: *Psychology, from the Standpoint of a Behaviorist*, pp. 254-62.

<sup>4</sup> *Ibid.*, p. 261.

they are so universal and unmistakable, as to be constantly reckoned with in analyzing and explaining human conduct.

The process by which values come to be, given these tendencies and dispositions, has already been discussed. Value is attributed to situations and objects with reference to the realization of the resulting interests and purposes. They (the valued objects) are the effective stimuli which furnish the opportunity for response. Values are the attitudes of the human organism toward the world of facts, resulting from its attempts to further the life process along lines determined from within. This attitude, if highly emotionalized, may be called a sentiment. What we call tastes and prejudices are such emotionalized standards, immediate, direct, intuitive reactions. They constitute a well recognized type of value judgment or basis of preference which controls a rather large field of conduct. Over against them may be set the reflective, highly rationalized judgment which brings in experience and intelligence to test the truth or falsity of the valuation.

Finally, to summarize what has been said about the stuff from which our standards are made, the raw material of the first order into which they may be resolved, this expressive statement may be borrowed. "The sensitivities, the activities, and attitudes of our ancestors, human and animal, were not merely stages through which they passed, but growths which somehow entered into the very structure of behavior itself. Far more important than the fossils in the rocks for a paleontology of behavior are the tropisms and instincts and emotions we find in ourselves, and the precipitate of the past in an altered environment, in custom and code, institutions and tradition, myth and cult, language and literature. The behavior of the lower forms of life is determined by the nutritive and reproductive functions; so also is the complex behavior pattern we call civilization."<sup>1</sup> The last stage in the evolution of behavior is the

<sup>1</sup> *Psychological Review*, xxvi, p. 247, H. H. Bawden: "Evolution of Behavior."

organization of a world of values. This last step, the *organization* of a world of values, is the formation of codes and standards, abstract ideas of the good, the beautiful, the desirable, as guiding principles to govern our activity.

But this discussion has taken us only a short way toward the understanding of the specific values which at any given time are incorporated in the individual's standards of living. There are two immediate questions concerning the specific economic values which are behind our choices: (1) What are the instincts, or basic interests and purposes, which are reflected in our standards of consumption? What phases of the life process can be seen working themselves out here? (2) How are these individual impulses socialized? This is the more difficult of our two problems. How do we get from values with their roots in instincts to social values, based upon custom or with other social sanction? How do we arrive at standards of the character described in the preceding chapter?

It would be possible to find the reflection in our current standards of consumption of most, if not all, of the fundamental interests of men, the regular and almost universal appearance of which has been noted. This is not strange. It but corroborates the frequent statement of the economist that there is scarcely a purpose or interest which animates man which does not in its realization come into conflict with scarcity and call forth economic activity. Wherein these interests differ is in the degree to which they are realized by economic activity alone. Some of them involve only economic problems; with others the economic problem is very slight; moral, political, and educational problems are most prominent and pressing. There would be little or no profit, however, it is believed, in attempting to make a comprehensive list of all the human purposes which give rise to concepts of desirable goods or of essentials and non-essentials in a scale of economic values. A

few of those that have an especially marked effect upon our standards of living may be noted.

The roots of many of our economic values, firmly grounded in our standards of consumption, lie of course in the primary instincts of nutrition, reproduction and self-defense. Conceive of these primary interests broadly enough to comprehend all aspects of self-preservation, all phases of the health interest, and all aspects of family life, and it is clear they will go far in explaining the basic requirements of material life according to any standard. A very definite relation might be established between these primary human interests and our concepts of essentials and desirables. A large proportion of the family budget is devoted to the realization and furtherance of these interests through economic goods of different types.

As we go down a random list of alleged instincts or primary tendencies we can find many which throw light upon consumption, and upon queer turns which our standards have taken. The desire for ownership and the impulse to collect and hoard are often mentioned as examples. There is much in our habits of consumption to suggest that there is a tendency to acquire objects of various kinds just for the sheer love of possession. It is not usually, however, an aimless collection that is made: it does not include anything whatever, but the articles hoarded have some remote or immediate connection with some other interest. It may well be that this tendency which now shows its influence upon consumption, developed as a servant to production, to the wealth-getting activities of man. Either because it can no longer be realized in production, or because it has become strong enough to constitute an independent interest, it works out in the sphere of consumption.<sup>1</sup>

This would not be the only case of so-called instincts

<sup>1</sup> Acquisition for the love of possession — in order to have — should not be confused with that for security, or to symbolize power.



which once would have found their outlet in production and then in use, which are now obliged to manifest themselves, if at all, in the modes of activity involved in consumption. The liking for the thrill and excitement of the chase, for taking a chance, which was presumably so well satisfied, and so useful to the food-getting interests in the hunting and fishing stage, or in a barbarian society organized for raid and foray,<sup>1</sup> now has little scope in production. Although it undoubtedly plays its part in making attractive those phases of production where competition is keen, yet the routine and monotony of a large part of the work of the world to-day is too well known to need comment. Accordingly we must now throw thrills and games of chance over into the consuming side of life, and pay in time and money for excitement. It is Wallas who points out that the absence of the original stimuli of Fear among the sedentary inhabitants of a commercial city, creates a condition of "balked disposition," so that a limited but not inconsiderable degree of this primitive emotion is desired for its own sake. "Hundreds of people may be seen at any great Exhibition waiting in long lines to be allowed to pay sixpence each for the few moments on the 'wobble wobble' or the 'aerial railway'; and some of the best and ablest individuals among the urban brain workers of England and Germany take infinite pains year after year to spend weeks or months upon the Alps in pursuits whose most valued product is in their case the sensation of Fear."<sup>2</sup> In short, the expenditures of both rich and poor contain items which go back to some of the most primitive instincts and emotions of man. The big game hunting and mountain climbing and the Monte Carlo of the well-to-do have their humbler substitutes in the "loop-the-loop" and

<sup>1</sup> One wonders sometimes to what degree a "close up" picture of these early days would preserve its romance even in these respects. May not the warfare and the hunting have been as tedious and dull as modern production with its hazards to life and limb and the risk of unemployment?

<sup>2</sup> Graham Wallas: *The Great Society*, p. 89.

the "shell game" of the "amusement" park frequented by the poor.

The play instinct is another primitive tendency which to-day affects our consumption and expenditure in many ways. At an earlier day this interest presumably involved no economic problem and gave rise to no economic activity or values. But to-day, as has been remarked by many observers, our recreation is largely commercialized. The large expenditures upon baseball in the United States may be interpreted as an expression of the play interest, satisfied vicariously. The modes of recreation of the present day are an interesting study, their emergence as economic problems, the substituted stimuli which have been developed, and the frequent vicarious expression, that is, the participation of the individual as a spectator, or in imagination, instead of as an actor.

Another instinct, if it be an instinct, which once found its outlet first in production and then in use, but now must find its outlet pretty largely outside production, is that which has been variously named as the instinct of workmanship, the interest in working over materials, or the desire or impulse to create. Taussig thinks he sees this impulse, persisting outside of nominal production and working out in consumption, in the monstrosities in architecture which arise over the land to be abandoned as soon as built, and thereafter known as Smith's Folly, etc.<sup>1</sup> This may be one form that the interest takes, the construction of things from the sheer pleasure of doing and of seeing the visible results of creation and workmanship.<sup>2</sup> But it is doubtful,

<sup>1</sup> F. W. Taussig: *Inventors and Money-Makers*, pp. 59-60.

<sup>2</sup> It has been suggested that the liking that some modern housewives display for a frequent rearrangement of the furniture springs from the same impulse. The ancient outlet for the "instinct of workmanship" through the household arts has pretty largely disappeared, and a substitute must be sought. Probably the same zest for contrivance contributes to the frequency of the change in fashion, and the eagerness with which new styles are adopted.

as in the case of acquisition, whether this would go very far if there were not some direct or indirect usefulness in the product or a connection with some other interest. That is, a "well-balanced" person will seldom make many things just for the joy of making them and not as a means to an end.<sup>1</sup> If they serve no utilitarian purpose there is usually at least the delusion that they are beautiful.

The result is that the interest in working over materials and in construction must mainly find its outlet in the formal work-life of the individual, otherwise the separation between production and consumption would cease and the consumer would be providing for his own needs. However, there is both opportunity and need for the operation of a creative impulse and a desire for individual expression in the modes of activity involved in consumption. They may show themselves in originality or eccentricity of choice, in experimentation with new goods and new values. It is the direct application of the creative impulse to the problem of consumption which makes our standards dynamic and which leads to change and progress.

Finally, there is to be mentioned that factor in human nature which perhaps more than any other single tendency throws light upon our current standards of consumption. If its influence were not noted there could be no accounting for many of our choices and expenditures. Further, there would be no explanation in terms of original human nature for the social nature of our values. This very significant factor which illustrates once more that the roots of all values are in original human nature, is the desire for distinction, or that combination of social or herd instincts which covers "attention getting" behavior and responses to the approval and disapproval of others. This desire, this set of tendencies, permeates our standards and is re-

<sup>1</sup> One often wonders whether many women do not secretly wish that knitting were not a sign of leisure and that it were really necessary that they supply their households with knitted goods.

flected throughout our consumption. There are values high in the relative scale which it is unthinkable should exist except as instrumental in the realization of some such tendency as this. To the individual as an isolated being, and not as a member of a social group, such modes of activity could have no meaning. They are direct outgrowths from the fact of gregariousness, and the operation of the social instincts. In the realization of this desire the individual seeks to indicate by his mode of living that he belongs to a particular group. He seeks to identify himself with it by displaying whatever is its mark of repute or "respectability." Furthermore, by this uniformity he gains the desired end of winning the approval and avoiding the disapproval of others.

It is no more necessary to-day to give specific illustrations of the operation of this desire for distinction upon our standards of consumption than it is to do so in the case of the interests of nutrition and self-preservation. Long since, the Veblenian analysis of the operation of this disposition of mankind under present-day conditions became a classic, and an accepted part of popular thought. Very rarely, however, does this disposition operate alone in a prescribed and fixed field. We do not divide our budget into food, clothing, shelter, amusement, and maintenance of social prestige. Rather, the latter combines with and forms a part of every other requirement. It may be involved in the most primary behavior patterns such as nutrition and reproduction. Most of the objects and activities which we demand must serve two or more interests at the same time. For a very large group we require that they have in addition to other values, prestige value, that is, that they meet the requirements of individuals with a peculiar inborn sensitiveness toward the attitude of their fellows. In fact, few of our instincts, or tendencies to action, work alone. The world of values cannot be classified in a clear-cut way upon the basis of their relation to the pri-

many elements of human nature. Most goods are "bundles of utilities"; their values are highly diversified.

A notable example is, of course, costume. The greatest diversity of interests is reflected here. The requirements that we lay upon costume are complicated indeed. It must meet the physical and hygienic requirements, the basic self-preservation interest; it must meet the requirements dictated by modesty as a covering for the body; it must meet the desire for ornament, and represent the striving of the individual for harmony and beauty; it must serve as a symbol of status, and display the wearer's place in the social stratification. A history of costume, moreover, will show that it has reflected the whole life view of society, that a change in predominant motif or interest has been mirrored in the costume of the period. It has reflected the growth of democracy and the growth of scientific thought; it has reflected the period of æstheticism, and the period of athleticism, of artificiality and of the simple life.

Personal ornament other than costume, which was one of the earliest forms of material goods definitely and universally felt to be desirable and valuable, is another example of the mixture of interests. It may be regarded partly as a device for attracting attention, servant perhaps to the sex instinct, partly as a mode of showing status and acquiring individual distinction, and, partly as an expression of the contriving or creative impulse, an expression of artistic capacity. But thus one could go on indefinitely showing the roots of our consumption values. Sufficient is it merely to emphasize that the raw material from which the individual's standards are made consists of these inner coördinations. Economic goods are instrumental; they serve the instinctive and acquired dispositions of man which must find their realization through the environment which is at hand, or that which is brought within reach by man's productive efforts.



But there is still another question to be answered before we can see how our standards come to take the exact form that they do. From the preceding discussion it might seem that the standards which guide consumption could be as many as the individuals of whose world they are a part. They would only be alike as the primary tendencies are alike, and these are obviously modifiable and responsive to a great variety of situations. To go into another field, it would be as if each individual formulated, applied and enforced his own moral code. The roots of the moral sentiments, too, are in the instinctive tendencies, but there is more in the moral code, as we know it, than the pull and tug of these tendencies as they conflict in a social environment.

As a matter of fact, we know that our attitudes are alike in their specific content; we choose the same type of hat and the same method of observing the Sabbath. We acquire specific valuations, ready-made, with the social sanction of custom, convention, or fashion. All our native or acquired tendencies are socialized in their expression. The individual learns to react only to socially approved stimuli or in socially approved ways. "The individual may be instructed in the nature of the socially accepted stimuli and forms of response so that when occasion offers he will respond in the socially accepted manner."<sup>1</sup> Even with such things as food there is little trial and error by the individual. What is good is pointed out by others. He learns what to seek and what to avoid. The problem is, Why does this socialization take place? What is the imperative which enforces it upon the individual and makes his concept of what is good, desirable, and essential almost as fixed and unalterable as a physical fact?

The answer seems to be that this socialization of the primary tendencies is itself the result of an inner coördina-

<sup>1</sup> *Psychological Review*, xxvii, p. 260, W. S. Hunter: "The Modification of Instinct from the Standpoint of Social Psychology."

tion, a result of the nature of man plus the fact that he is born into a group with already fixed ways of doing things. In the fact that men are gregarious animals are found the roots of custom, convention, and fashion and in the fact that they react to situations in ways that have been described as showing group or "herd" instincts. Among these reactions are those due to suggestibility, that comprehensive process called imitation, and a variety of other responses to the behavior of others. There is the tendency to attend to other human beings and to try to attract their attention. There is response to the approval and the disapproval of others; there is rivalry as well as coöperation, an attitude of mastery and one of submission. Ross in his "Social Control" interprets the resulting socialized behavior as the effort of the group to control the individual, an attempt to prevent conflict and to promote unity and solidarity. Dewey sees behind it the insistent, self-perpetuating nature of the group habits which the individual must acquire in order to have a part in the group life. But there is within the individual the basis, in his native dispositions, for this socialization. The group is itself a value to the individual; he has a disposition to identify himself with it, to realize his interests through it, to seek its approval and to resent injuries to it more than to himself as an individual. The extent to which this last may be carried is shown by the fact that when the group is threatened, he may feel it quite proper that he should die for it.

Upon the basis of this briefly outlined situation it is easy to see how it is that the individual accepts models offered by the group for his value judgments, how the primary tendencies crystallize around certain objects or situations which become the norms of conduct in that realm. For most people the environment is selected, and the instinctive tendencies controlled, for the years of childhood and youth. In this way a behavior pattern of a particular kind is built up. When the individual arrives at the time when he has

nominal freedom of choice, when he has the power and responsibility of independent valuations, his attitudes and preferences, his standards, have been formed. Social valuations are made known by a familiar method that is variously called, an "associative shifting," an "emotional transfer," or the "conditioned reflex."<sup>1</sup> It is a learning process which leads to the selection of the proper stimuli for response. Our tastes and attitudes are formed with reference to specific situations, just as we learn to speak a particular language and not each a system of vocables all his own. It is almost as necessary to learn the other group-ways as it is to learn the language if one is to live with them.<sup>2</sup> Thus human activity is organized in certain fixed ways. To the individual, the universe may seem to consist on the one hand of sentiments and attitudes which are fixed and unchangeable, and, on the other, of a world of objects with values fixed and unchanging. Those values, we say in general terms which indicate their social origin are based upon custom and tradition, or convention and fashion. They are formed into codes of morals and standards of living which have such a social sanction and force that they are binding upon the individual.

#### B. SOURCES OF OUR STANDARDS OF LIVING FOUND OUTSIDE THE INDIVIDUAL

The origin of our standards of living is only partially revealed by the study of the individual, his predominant motives and native propensities. We must look outside to his social inheritance and environment if we would know fully how a particular standard has come to be. It appears

<sup>1</sup> *American Journal of Sociology*, xxiii, p. 447, J. K. Folsom: "The Social Psychology of Morality."

<sup>2</sup> "Few people have either the energy or the wealth to build private roads to travel upon. They find it convenient, 'natural,' to use the roads that are already there; while unless their private roads connect at some point with the highway they cannot build them even if they would." (John Dewey: *Human Nature and Conduct*, p. 59.)

that the instincts and other individual tendencies "tend to crystallize about certain acts, objects and circumstances."<sup>1</sup> Just as in the case of current morality we shift the responsibility for the current mores in consumption from the individual to that abstraction we call "society."<sup>2</sup> But this shifting of the focus of attention from within the individual to forces which are external to him and over which he has little control does not solve the problem of the origin of our standards. The question then is: Why were these particular norms of conduct set up for the individual? Why were these particular elements incorporated into the concept of essentials? What is the basis for the selection of the situations and objects around which the individual's interests crystallize? What are the determinants of the actual content of our standards of consumption?

It is obvious, that the actual content of standards of living will vary with the age in which the individual lives and with his country and economic status. Standards vary from period to period, from country to country and

<sup>1</sup> *American Journal of Sociology*, XXIII, *op. cit.*, p. 451.

<sup>2</sup> It is realized that the organization and the phraseology of this discussion is peculiarly liable to misunderstanding and criticism. There may be legitimate grounds for objection to the implication of an antithesis between the "individual" and "society," or to the implication that there is an entity called "society" or the "group" which wills anything or does anything in and by itself. There is always the danger that forms of expression will be misleading, and, in this case, that the conscious, volitional, external aspect of what is called social action or social influence over the individual, will be over-emphasized. Yet in spite of the danger of false implications of the terminology used, there is a real situation which must be dealt with in some way and in some terms. If one seeks the why of particular individual attitudes or activities, he is always confronted with a "something" which is the "others" who influence him. The explanation always lies partly outside of the individual in question (not outside of individuals, of course,) in "others," some group of which he is a part or which touches him in some way. The sanction, the suggestion, the teaching, the moulding of his conduct comes from these "others," the group. There is the same difficulty when one talks about the "state." The officers act in the name of the state, but where and what is it? It is at least a reality separate from the government, the people, etc., and must be dealt with, however much of an abstraction it appears.

from class to class, and, it is believed, all the multifarious causes for these variations can be summed up as due either to differences in economic power or to differences in culture. By economic power is meant command over resources, effective desire as expressed in goods available and in income. By culture is meant all those common interests and common attitudes which will mean a different organization of life even with the same resources.

Man is always subject to the limitations imposed by resources and environment. The individual's range of choice and his concept of what is essential and desirable is always bound down by the existing "state of the arts and sciences," by the resources available in his time and place. He cannot command for his consumption goods which are not yet known to the world or capable of production. New values, new interests, must await the opportunity of development. There was once no question about the economic value of motor cars or the æsthetic value of skyscrapers, or the morality or legality of submarine warfare. In this sense, Nature herself moulds the demands of men, and the producers control choices. Invention is the mother of necessity. There must be a change in producing possibilities before there can be a change or expansion in the standards of living. The standard of living is but a plan of life which makes the best adjustment to the situation, to the resources which are at hand and within the control of the group in question. This adjustment is one that must be worked out by every income group. Money income, the stock of goods upon the market, and the price level, are facts from which a standard of living must be shaped. Each group must adjust itself not only to the common scarcity of goods and knowledge, but also to its relative share in that scarcity.

This is but to say that standards of living are made out of the materials at hand. Social groups must evolve working hypotheses as to the way to organize their life and



activities under the conditions of their time. Value judgments as to the good, the beautiful, the desirable, are made with reference to the known world that comes within the range of vision and control. These are the basic considerations which explain differences in standards of living at different times, in different countries and between groups of varying economic power. Difference in knowledge, in industrial technique, in national resources, result in differences in use and wont, and concept of sufficiency and well-being.

One question that intrudes itself at this point is whether the familiar differences in the modes of living of different income groups represent also differences in standards. Do not the poor want the goods enjoyed by the rich as badly as the rich? Is it not merely a question of effective desire or purchasing ability? This is evidently not the case with people of different periods or of different countries. The Chinese really have a different concept of what the minimum requirements for "proper" living are; our great grandfathers had a different concept from ours, based upon those differences in industrial technique and culture already noted. They could not have desires for goods which had for them no reality, were even unknown to them. But with people of the same age and habitat, the situation is not the same. Are their seeming differences in standards merely a result of differences in income? Obviously, similarity in income does not necessarily mean similarity in standards; nor does an at-the-moment difference in income mean a difference in standard.

But let this be the question at issue — if there is a social stratification based upon differences in economic status and income, will not that mean differences in standards, other things being equal, as well as differences in modes of living? Can an individual accustomed to a mode of living, closely limited by income, have the same concept of essentials as one who is accustomed to a wider range of

choice? Can you regard as essentials commodities which you rarely enjoy? This problem arises in a dynamic society where goods and their prices, and the economic position of individuals are rapidly changing. The relatively poor are eager and ready for the luxuries of the rich. But they are *luxuries*, that is the whole point. Shift about individuals in the different income groups. The *nouveaux riches* would, it is believed, have a wide margin of choice above necessities. They would feel a high sense of economic well-being. The *nouveaux pauvres* on the other hand, would be adapting themselves to doing without the very essentials of life. There would be a great sense of privation. In other words, they have had different standards as well as different modes of life. The standard of any group is conditioned by its income, which represents its share in the knowledge, productivity, and culture of its age. Income is the representation of economic power which is the one pervasive limiting factor in terms of which habits of consumption must be formed.

The other general factor which was advanced as a cause for the variations to be noted in standards of living from age to age, country to country, and class to class, was difference in culture. With a given command over resources, given producing possibilities, and a given income, differences in standards will show themselves which can only be explained by differences in the cultural background of the groups in question. The man of a far-off country has a different standard not only because of difference in economic power, but because of these other differences in interests and attitudes which are called differences in culture. Granting all the limitations imposed by environment and income, the range of choice is wide. The uses of productive resources are many. They only seem not to be so because we already have a fixed concept of needs or essentials. But we all know well that ways of living depend upon interests and tastes, as well as upon income. A critique of current

standards usually takes the form of a commentary upon the ugliness, vulgarity, and triviality of present-day means of life and enjoyment. The standard of life "is everywhere and not merely among the wealthy a modifiable conception."<sup>1</sup>

But back once more to the problem of the actual content of standards of living, as they are presented to the individual by the social group of which he is a part. How does the group select from the material at hand the approved norms of conduct which it then passes on to the individual to govern the ways in which his impulses and interests shall find their outlets? How can the formation of specific customs, habits, and conventions be explained? If we analyze and classify the elements which enter into concrete standards of consumption, what appear to have been the basic principles of selection from the social standpoint?

Three major influences can, it is believed, be detected running through the standards of all groups and shown in their modes of living. The values which are incorporated in the standard fall in three main classes; there are three principles by which they have been selected. First, there are those elements of the standard which have been selected because of their "organic utility" or "survival value" for individual life. Second, the "conventional necessities," or prestige values selected, from the social standpoint, for their "survival value" to the group as a part of the social structure. Third, there are those elements which represent the group's concept of welfare, including those values, vague and indistinct, which mark the peculiar bias or trend, the predominant interest or ideal of the social group, whether it be militarism, Puritanism, or commercialism.

<sup>1</sup> Bernard Bosanquet: *The Civilization of Christendom*, p. 272. See also pp. 295-301.

*Elements selected for their survival value*

It is not difficult to demonstrate that certain of the elements of our standards are there because of their "organic utility" or "survival value" for individual life. A minimum of goods instrumental for the maintenance of physical existence is necessarily a requirement. Hobson speculates upon the process of natural selection which must have taken place as mankind learned by the trial and error method which goods had for them "survival value." A mistake in valuation in this realm would necessarily prove disastrous. "The table of our earliest forbears was limited in the extreme, and its variety could be enlarged only by experiment. A tempting cluster of berries on some shrub in the Neolithic forest might be a delicious dessert or it might be a violent poison. Brave experiment alone could determine which. It was a hard experiment. If the early research man guessed right, he had a valuable addition to his diet. If he guessed wrong, he died."<sup>1</sup> This means that there is little possibility for positive error surviving in this part of the standard. Negative error, that is, goods with little or no organic utility, may be mistakenly incorporated, but none with immediate organic disutility. Accordingly, it may be expected that the elements receiving the group sanction and incorporated into the accepted standards of living for their demonstrated effectiveness for nutritive and health purposes, will tend to have high organic utility. The individual in accepting the group standard is benefiting by their experience, which, conceivably, has been a costly one.

The efficiency of the method of natural selection, of the use of the sense organs, is subject to some qualifications.

<sup>1</sup> Hollis Godfrey: *The Health of the City*, p. 73. This author goes on to say that "Blunted as are our senses by centuries of civilization, the instinctive training which primeval man received in the choice of good and bad food has persisted to this very day."

There is no scientific precision in this hypothetical trial and error method — no assurance that the causal connections will be noted unless the results are direct and immediate. Slow poisons would not be detected, nor those deeplying factors determining health and disease, which science is but recently disclosing. Until human intelligence takes up its “business of criticizing human valuations,” there will probably be even in this realm, not only goods with no value from the standpoint of physical life and strength, but, also, great waste of life from undetected, but positively harmful causes. The wastes, moreover, of this crude valuation process would lie not only in the harmful elements incorporated into the standard set up for consumption, but also in the potentially useful values which were excluded.<sup>1</sup> The extreme conservatism of people of rather primitive culture is well known. They not only display great tenacity in clinging to their accustomed articles of diet and of dress, but also refuse to experiment with strange foods or habits of life. Until a rational or semi-rational process of experimentation begins, these standards are

<sup>1</sup> “The customs and traditions which govern the food economics of the household and which undoubtedly to some extent reflect the accumulated experience of the race serve an equally important purpose in checking the caprices of the palate and guiding the individual into food habits which are more likely to conform to actual needs than are the dictates of the individual appetite. But the fullest appreciation of the value of household and social traditions in the formation of good dietary habits does not justify the conclusion that such traditions will always lead to the best results either physiologically or economically. Even if these traditions represented the experience of past generations to the fullest imaginable extent they are not to be expected to guide us in the use of foods which were not available to our predecessors but have now within a generation become a common part of the dietary. Under modern conditions scientific dietary standards based on a knowledge of food chemistry and nutritive requirements . . . constitute the most rational guide to the formation of hygienic and economic habits in the use of food.” H. C. Sherman: *Chemistry of Food and Nutrition*, p. 361. For a study of the food habits of various immigrant groups, their suitability to American conditions and their approximation to scientific nutritive and health requirements, see *Journal of Home Economics*, December, 1920, January and February, 1921.



fixed and inflexible. They persist even when brought into contact with other standards. The result is that there is no great rapidity in seeking and utilizing all that is available in the environment at hand.

This group of commodities with "survival value," the essentials for physical existence, presumably, was the first to develop, and is, logically, the basic group in present-day standards; these are the essentials of the first order, as it were. The idea, however, that man will devote time, energy, and resources exclusively to the problem of physical necessity until he has a surplus well above the bare subsistence level is disproved by the observed facts. The amazing circumstance is the very early development of ornament, and the attention and resources which very primitive people devote to the ceremonial and prestige values. In the standards of to-day also such interests as these appear very high in the scale of values, and may reduce to a minimum the resources available for the needs of physical existence. Yet the importance of these basic needs of subsistence and protection requires no demonstration. For centuries, until very recent times indeed, the social organization was devised, primarily, to ensure their provision.

The group has never allowed the individual unlimited opportunity for making his own valuations of the objects suitable for health and preservation. The dangers of individual experimentation are too great to permit it to go very far. The individual must profit by the experience of the race and not run the risks of a trial and error method. The long infancy of the human being during which he is fed and cared for tends to establish very definite habits of eating, drinking, and similar activities. The essentials for his physical life are suggested to him by seeing and hearing what goes on about him, and in early youth definite habits of consumption are established. He is initiated into the folk-ways and given a code to govern his consumption, just as he is given a code of morals and of etiquette.

Moreover, the group usually enforces its accepted mode of living by positive commandment and prescription. Primitive people may use the taboo to enforce their regulations of food, clothing, and general living, as well as to enforce the moral code. In fact, at the very lowest level where all values have arisen by a partially instinctive, partially experimental, process, it is difficult to draw the line between moral, legal, and economic values. Almost every activity of the individual is circumscribed by an elaborate code, with all parts of it practically of the same cogency, with the same sanction, and upheld by the same authority. But a very definite part of the code pertains to and governs the economic life, both production and consumption.

The historical development of the values found in our standards because of their assumed "organic utility" is extremely interesting to trace. The development can be studied from many angles. There has been, on the one hand, a notable change in the number and variety of the commodities deemed essential for the physical existence of the individual, the use of which is sanctioned and enforced by the group. At first extremely limited in scope by environmental conditions, there has been a gradual expansion as the productive technique improved, and the fund of practical knowledge grew, until the modern stage is reached where all former limits upon volume and variety are broken down. But accompanying this change in the actual content of the standards, there has been an equally notable change in the method by which society made its valuations in this line, in the way it discovered the goods with "organic utility," and enforced them upon the individual. In this respect, society may be said to have advanced, as in the case of morals,<sup>1</sup> from the instinctive level, to the level of custom, and thence to the level of reason, or the level of scientific experimentation and dem-

<sup>1</sup> See Dewey and Tufts: *Ethics*, p. 38.

onstration. From a rude trial and error method, with its high wastes due to sins of commission and omission, through a long period of rigid customary fixation, there has come about the present, at least semi-rational, attitude toward the requirements for human health and preservation. In this field there is now scientific experimentation and an especial attempt to revalue and to criticize old valuations. In the same way the methods of controlling individual conduct in this line have changed. The crude taboos and rigid customary code have been partially supplanted by the methods of education and public opinion, reinforced at certain points by positive law.

The level of custom deserves, perhaps, brief attention if for no other reason than that we still have so many survivals of its attitudes and sanctions untouched by the modern spirit. Custom furnished the keynote for social standards throughout the greater part of the time in which we have definite records of the mode of life of man. Only recently has the sway of custom over economic activity been broken, first in the field of production, and later still, and more gradually, in the field of consumption. When the group standard of living rises to what may be called the level of custom, "conduct is regulated by the standards of society, for some more or less conscious end involving social welfare."<sup>1</sup> The established modes of living have stability, and are definitely recognized as of a goodly lineage,—they are the ways our fathers did,—and have the dignity and sanction of antiquity. It is scarcely possible for the individual to break away and to experiment. As has been shown, he is by nature a conforming being, sensitive to the suggestions and attitude of others. No one wishes to adopt a diet or a costume or a general mode of living which his neighbors will call "outlandish."<sup>2</sup>

<sup>1</sup> Dewey and Tufts: *Ethics*, p. 38.

<sup>2</sup> This term of scorn and derision has been called to the writer's attention as of peculiar interest in this connection.

In one category of consumption goods especially — food and hygienic arrangements — do violations of the code give rise to aversion and disgust. Strange habits in this field are “unclean.” “Pig-eater” or “cow-eater” become terms of contempt, notes Sumner. Modern life is full of illustrations of prejudices against individuals and peoples because of the food they eat, or a mode of living “unclean” in some respect. To the Englishman the frog-eating Frenchman is a queer and to-be-suspected individual. And to the provincial American the Englishman’s consumption of kidney pie seems, indeed, a consumption of offal. One illustration of a detailed regulation of dietary and sanitary standards put on record thousands of years ago is the Mosaic code by which the Jewish people so long have regulated their lives. It runs true to type in that it was promulgated as a divine ordinance and supported by penalties of ostracism from the temple and, in some cases, from society.

It is interesting to seek for the rational basis behind these regulations. In many cases scientific knowledge has confirmed the wisdom of a prohibition or of a requirement. We may conjecture that the Jews were wisely prohibited fish that have not fins and scales (oysters, lobsters, etc.) because Eastern waters were often polluted. The emphasis upon cleanliness, the requirements of ceremonial bathing, etc., were, of course, thoroughly in place from the standpoint of our modern knowledge of dirt as the breeding place for germs. It is interesting to observe that some writers call the tendency to cleanliness an instinct, so marked has been the emphasis from an early time upon the struggle against man’s greatest enemy. Those who know the high standards of cleanliness and sterilization of the old-fashioned housewife, and her repugnance to the unwashed and contaminated, while at the same time she had never heard of a germ, can realize how fortunate and how wise purely customary standards can be. Yet in the case of many of the regulations of the true customary level it is hopeless to

seek for a rational basis. They are by very genesis irrational, often based upon superstition, false interpretation of coincident events, etc. Science will show great gaps which allow great waste of life, and constant faulty valuations. If there were "correlation with true advantage," it was due to the beneficence of natural selection and to chance.

The present age of enlightenment in which the requirements for physical well-being are scientifically studied, might be described as a period of revaluation and of attempts to break down by education and discussion the faulty customary regulations. A writer in the "*Journal of Home Economics*" describes the difficulties in the way of changing the diet of Jewish school children by scientific instruction because of religious prejudices.<sup>1</sup> It is but an illustration of the difficulties in changing any standard strongly entrenched by custom. But the tendency to-day is to pronounce "unclean" only those foods proven to be unwholesome, and for the concept of essentials to be based upon scientific study of the needs of the human body. We look more and more to men of science to set the standard, and to prescribe the "survival values" which shall be incorporated therein. For these elements of the standard exact and definite tests have been worked out which make possible truly rational choice with a minimum of risk and waste.

Society has still the problem of controlling the conduct of the individual, and we find it using its whole array of formal and informal agencies for this purpose. Education, public opinion, social disapproval and ostracism, and positive law are called in to control the diet and the hygienic arrangements of the individual. What he shall and shall not do in this realm of consumption are still prescribed for him. But the regulations, through whatever agency they

<sup>1</sup> *Journal of Home Economics*, xi, pp. 47-59, N. L. Schapiro: "Jewish Dietary Problems."



are enforced can, for the first time, be based upon exact knowledge and applied with precision. Prohibition laws of to-day are direct descendants of the taboos of the primitive group in that they show the group enforcing upon the individual its concept or standard of the essential and harmful with reference to the fundamental physical needs of the individual. But one was formed upon the instinctive level and the other, presumably, upon the level of reason.

So much for the elements in our standards chosen for their "organic utility" with reference to the basic needs of nutrition and preservation. A moment's thought will indicate how relatively small a portion of the content of our standards is accounted for under this head. There is no more striking fact about our standards of living than that they embrace many values with no relation, imaginary or real, to the needs of the individual for physical existence. Food, clothing, shelter, medical services and supplies, may head the list, but they are not the only items in the family budget; there are other goods with which the individual would part only a degree less readily than he would with those which sustain life. Those other goods, too, are essentials. Most standards of consumption which would be regarded as acceptable to-day, represent a plan of life which is depicted in the budget by the presence of such items as recreation, education, dues and charities, insurance and savings.

Nor do those items alone tell the whole story. Goods are "bundles of utilities." Some interests which may rank high in the scale of values, and historically come early to expression, are not shown in distinct groups of commodities or expenditures, but permeate the standard as a whole, joined with the other values. Such, for example, is the æsthetic element in our standards. Man's interest in beauty and craftsmanship works out to a considerable extent in connection with other values. It is no more difficult to

explain the appearance in our standards of the elements mentioned than of those which make for healthful physical life. This group of interests, although not instrumental in maintaining life, goes to make it interesting, enjoyable, and worth while. It is not the demand, in general, for these types of values which is the problem, but the uniformity of the demand in large groups, and the individual's lack of power to vary.

*Elements incorporated in standards because of prestige value*

But these two groups do not cover all the values, nor comprehend all the requirements which the individual must meet in the administration of his resources, and carry out and express in his material mode of living. There are heavy demands made upon the individual and values incorporated in his standards which have not been touched upon. The categories given do not include those elements of our standards of living which are known variously as the "conventional necessities," or "artificial wants." They are shown in the budget by those necessary expenditures which are designed to "keep up appearances." The individual knows full well that under the cover of these items of the budget which ostensibly represent only interests in health, beauty, social intercourse, education, recreation, etc., he is meeting other requirements which are just as binding. The observer, also, readily sees in current modes of consumption many features which are not to be accounted for under the categories mentioned.

This situation, although it is so well known, seems in many ways inexplicable. That the individual should not be satisfied with the values which are instrumental in carrying out the wide range of interests enumerated above, but should regard as equally essential and important to his peace of mind and feeling of well-being, the presence of additional, purely "conventional" and arbitrary values, seems difficult to explain except as some sort of excrescence or

“freak of nature.” Yet in the very earliest times, with the most primitive peoples, and to-day far down in the income scale, “prestige values,” symbols of status and achievement, appear in the unwritten code of the group. Although seldom found as the sole attribute of a valued object, but usually in conjunction with other values, yet it is the prestige value in many cases which primarily accounts for the choice, and the place of the object in the concept of essentials. This is the familiar conspicuous consumption, consumption for display, to tell a story or to give information — pictorial consumption, as it were. Taken in and by itself, to carry out some of the details of the code may be unpleasant, actually physically uncomfortable for the individual, but the impulse and sanctions which dictate the observance are strong enough to offset this completely.

How is this portion of our standards of consumption to be explained? Upon what basis have those values been selected and made binding upon the individual? From the individual standpoint it is quite easy to see how this phase of his consumption comes to be. Prestige values, symbols of status and of accomplishment, presumably meet his desire for distinction and for recognition. His sensitiveness to group attitude and opinion is such that he could not readily refuse to respond to what is recognized on all sides as the appropriate and fitting behavior. These symbols of prestige and place are his protective armor against sneers, snubs, and disapproval, as well as a device which wins for him approval and admiration. They are the means by which he preserves his self-respect and wins the respect or envy of others. The individual learns this part of the code just as he learns all other parts; he comes to know definitely just what the prestige values are and how important they are; he obeys the voice of his group, because not to do so is to lose caste, which is repugnant to his nature as a social being.

But from the social standpoint, by what interaction of mind with mind were these values evolved? Do they represent any real interests which are being conserved and protected by social forces? Is the individual receiving the benefit of group experience and being protected against his own mistakes as in the case of the goods with survival value? Analysis of the so-called prestige values would seem to show that these values are a by-product of social stratification. They are a phase of competition, whether it be military, pecuniary, or political. Wherever and whenever there are "invidious distinctions" between classes, there will be more or less ritual in order that these distinctions may be displayed and recognized. There will be symbols to designate status. This ritual, these symbols, are by no means always expressed in consumption; for one reason, because the distinctions are not always between economic classes, the castes in question are not always economic castes. For another reason, because the most effective display of caste, even of what is fundamentally an economic caste, is not always by a ritual and symbols which involve economic problems. They may cost very little.

These prestige values then indicate the existence of social groups of various kinds. It might be said that just as other economic values found in the standards may be explained by their survival value to the individual as a physical organism, so these can be explained by their "survival value" for the individual as a recognized member of a definite social group, and for the social group as a recognized part of the social structure. They are truly prestige values. They enable the individual to identify himself with a group, they satisfy his pride of place; they symbolize "I am better (or different) than thou" to the next below, and, "I am treading on your heels" to the next above. But through them, moreover, the group establishes its unity and solidarity, shows its existence and vitality, and relative place in the social structure.

But what is this social cleavage? What are those groups whose existence calls forth these symbols and prestige values, and imposes upon the individual duties which are reflected in his manner of living? The social stratification of which this situation is a by-product is complex, and it gives rise to several different types of prestige values which are affected in varying degrees with an economic interest and hence are shown in consumption in varying degrees. A large social group displays a great diversity of classification and cross-classification, based, as it may be, upon birth, training, community of interest and taste, occupation, and economic power or income. The distinctive evidences of membership in these groups are correspondingly various, many of them affecting in no way the material mode of living. The insignia of status may vary from accent and ceremonial procedure or etiquette, to prowess or achievement, and "conspicuous consumption." Prestige values may incidentally attach to the carrying out of the interest or purpose which a group represents. For example, if it be a "culture" group, based upon membership in a learned profession, or upon university training, or upon cultivated artistic or literary tastes, activity in these pursuits may create prestige values for the individual, as well as intellectual and æsthetic values. But the prestige value is only incidental and cannot exist independently of the other values. Only in a few isolated cases are there purely formal symbols, economic in character, of membership in a culture group. The clergyman's coat, the academic cap and gown, are among the few examples. When it is said of the member of a culture group that his standard of living covers the necessities incident to "maintaining his position," it is meant that there must be provision for carrying on those activities, or for realizing those interests which his group represents.

It is only the last example of social stratification mentioned, the income group, or that class distinguished alone



by its command over resources, which has but the one evidence of membership, but the one way that individuals may identify themselves with it, that one being the *amount* of their expenditure upon consumption. Society has devised no other way for the recognition of income, and income alone, than "conspicuous leisure and consumption," display of freedom from economic activity and power over economic resources. There is nothing that corresponds to military ranking or honor lists for those who engage in pecuniary emulation so that individuals belonging to these groups are inevitably and logically thrown back upon the means indicated. True, they may use their income as the opportunity to enter culture groups, and thereby gain prestige, but as income groups, pure and simple, their only recourse is in material display. The prestige values, or symbols of status in an income group are, therefore, purely formal, only incidentally are other values joined with them. The essence of the requirement which membership in prosperous, economically successful classes imposes is expenditure as an end in itself, not as a means. The quality of costliness is the main attribute of the valued object; beauty or other values only incidentally, or accidentally, pertain to it.

To make the situation clear let us take up the types of prestige value which may be seen in standards of consumption and see what each one by itself involves. The clergyman's coat has a prestige value, for example, in that it indicates membership in a professional group. Give him another kind of coat and what does he lose? He loses only one, and by no means the most important symbol of his class. University training also may have some prestige value as well as educational and intellectual values. Take it away from the individual and he loses membership in a class, with whatever distinction may attach thereto. But he also loses the more important and primary intellectual values. Lavishness in expenditures, expensiveness in con-

sumers' goods, is the evidence of pecuniary position. Take this away from the individual, do not allow him to live up to his standard of essentials in this respect, and what does he lose? He loses the sole symbol of his status, but he loses no other values, except incidentally, and none which are really incorporated into his standard.

All who examine standards of consumption critically reach the same conclusions. Social stratification on the basis of economic power and resources, the result of an unequal distribution of income, gives rise as a by-product to prestige values which are purely formal. Expenditure and leisure are incorporated into standards of living as ends in themselves, as symbols of caste, rather than as means or opportunities. The most irrational modes of expenditure are fostered by this situation. The phenomenon of fashion, that competitive cycle of differentiation and imitation, which embraces so many commodities and spreads over such a wide area, territorially and socially, is intensified by the desire for this type of prestige. No doubt irrational change in the design of costume or other consumers' goods might take place independently of pecuniary emulation, but there is no question that the present zeal to adopt that which for the moment has the brand of the élite is not only to avoid being thought nonprogressive, but to avoid the appearance of poverty as well. The one requisite of an activity in order to have this type of prestige value is that it conceal poverty and display riches.

It follows that this element in current standards will become more and more pronounced as society is organized more and more completely upon a pecuniary basis, as economic stratification becomes more pronounced, and constitutes the main division by which the social classes are known. Expensiveness will be added to the desirable qualities which each good must have. Moreover, as the income grows in size the pressure upon it from this source grows disproportionately heavy; the larger the income the more

incentive for its display. When it is said of a member of an income group that he must maintain his position, it is meant that he must spend lavishly and show his economic status. The higher the economic position, the relatively greater bulk these conventional necessities. In the lowest classes, on the other hand, they may not figure largely, because as an economic group they have no position to maintain. The whole situation with its expenditure as an end, the only incidental coincidence of other values with prestige values, suggests most decidedly waste and irrationality of standards.

Is there a way out from this situation? Are these elements in our standards a recent growth and can more rational tendencies be expected? From the standpoint of age certainly nothing is much more strongly entrenched in our standards than some type of prestige value, the type, of course, depending upon the basis for the major social classification of the time. As soon as a surplus above the minimum requirements for physical existence accrued in the hands of a favored few by virtue of the institutions of slavery or serfdom, an elaborate development of the display and ceremonial side of consumption seems to have begun. The symbols of prestige and status became a necessary part of the individual's plan of life. There seems to be no escape from the conclusion that given social stratification and "invidious distinctions," prestige values become essentials of the first order in the scale of values. With diminishing resources the individual will cling to them at the expense of health and other interests. The situation is further complicated by the survivals into a new age and reorganized society of the prestige values of former generations, of feudalism in an industrial society and of an aristocracy in a democracy.

Are there any forces at the present time making for less waste upon conventional necessities? Will the prestige values of the future be more rational? In the first place,

the rationality of prestige values, the economic waste that their incorporation into the standard involves, all depend upon what they symbolize. The attempt has been made to demonstrate that they are purely formal, irrational, and wasteful by the very logic of the case if they symbolize economic power alone. Upon the other hand, if they are incidental to an activity or interest, such as education or art, which is conceivably worthy, there is no loss involved. To the extent that social classes other than economic become prominent, outrank the plutocracy and constitute the élite, consumption which is purely symbolic of economic power will, of course, disappear. If duchesses are dowdy, for example, why be fashionable and proclaim yourself not a duchess?

In fact, there probably is to-day no consumption which is intended to be a symbol of wealth alone; society has never completely accepted the superiority of the well-to-do. The upper economic classes are for obvious reasons likely upon the whole to be also the classes of superior culture. If they are not they try to seem so. Their symbols of status are supposed, usually, to show distinction in education, breeding, and artistic taste as well as in economic position. Costliness usually purports to increase beauty or physical well-being, or to give pleasure and recreation. If this were not true the best symbol of economic status would be garments made from gold certificates. True, there have been some demonstrations which verge closely on this character, but the tendency seems to be the other way, to combine prestige values with other values.

This movement to eliminate the purely formal prestige values which symbolize economic position only is fostered by the attempts of the "first families" of wealth to keep out interlopers and prevent imitation. Their exclusiveness is continually being threatened from two directions; one the newly rich who can easily match them in pure lavishness in expenditure, the other their imitators in lower income

groups who lead them a merry chase reproducing at least their outer garments in cheaper substitutes. Their only hope for remaining first and foremost, and reducing this sort of competition, is the cultivation of other insignia of caste which cannot be imitated or duplicated by the unskilled and uninitiated. This means the alliance of the purely formal prestige values with other values; the economic group must become also a culture group. "Education" is necessary for the newly rich before they can compete with the "first families" of the pecuniary order. This "education" may automatically exclude interlopers until the second or third generation.

The analysis of the prestige values found in our standards presents a striking contrast to the first group of values examined which were called "organic utilities." In the latter case society was pronounced to be on the point of attaining the level of reason. The goods with "survival value" are being selected by scientific experiment; their use is being urged upon the individual through education, public discussion, and the pressure of opinion. But in the case of prestige values the situation is not so encouraging. In the modern pecuniary societies with unequally distributed wealth the most empty values are incorporated in the standard, values which by very nature can never be expected to rise from the "level of custom" to the level of reason or scientific determination.

*Elements of standard which show bias of the group or  
concept of welfare*

But now to return to the third group of interests which appear in the actual content of our standards of living and, to a large extent, appear as distinct items in the family budget. These have already been referred to as that group of values which make life interesting, enjoyable or worth while, a rather elastic and general description of some very real life purposes. Education and the intellectual inter-



ests, recreation and the play interests, beauty and the æsthetic and creative interests may, and usually do, show themselves very early in the concept of essentials. Religious and social interests, too, which show themselves in marked fashion among very primitive peoples, often make demands upon resources and are incorporated into the standard as claims of a high degree of importance. The degree to which they will press upon resources will depend largely upon the accepted mode of carrying out those interests. Religious ritual and ceremony, and the support of an ecclesiastical organization, may constitute a rather large demand upon economic resources. Tithes and burnt offerings may be the use to which a relatively large part of the social income is put. In the same way the claims of social intercourse, the ceremony and ritual of the social organization, may loom large. For example, the prominent place and the inordinate share of the resources which are given in the Hindoo standard of living to "friendly dinners" are amazing to the Occidental mind, which regards these standards as so meager and lacking in certain essentials. The prestige values which may be incidentally associated with the carrying out of these interests has already been pointed out. Further, there will usually be found to-day in standards of groups with a background of thrift, frugality, and carefulness, a requirement for a minimum of provision against economic contingencies which may arise in the future. Unless there is some provision for the future there is uneasiness and an adjustment of other essential interests to allow for this claim.

What is behind this portion of the standard? It is the social group which, in the case of these interests no less than the others mentioned, writes these values into the standards, makes them known and enforces them upon the individual. Why are these various elements selected, why will one or two perhaps predominate in the standards of certain classes and others be negligible? The reason for

selection, the cause of the strong social sanction which these elements receive, is that here is reflected the group's conscious or unconscious concept of what constitutes welfare. The individual cannot get away from such a group concept — if it be education, or art, or saving, or religious observance — his plan of life must be adapted to make for this which is conceived to mean welfare. There are many opportunities for false valuations here. Here is reflected perhaps more than anywhere else the elevation of the predominant religious and moral standards, the "enlightenment" of the group. The evolution has probably been from a selection on the basis of authority, a looking to the past, a blind following of custom, to a questioning, conscious attitude, a tendency and willingness to deliberate, to discuss, to seek information, to weigh values. It is in this division of our standards that the statement is exemplified that, "Every truth that mankind knows involves . . . an economic want."<sup>1</sup> Every activity or interest which is deemed to make for welfare, in so far as its realization involves economic activity, will be written into the standard, and the individual forced to walk that way. The individual, only within limits, and under restraints, determines what makes for his welfare. The group tries to protect him from his possible mistakes here as well as in the case of the choice of goods for their "survival value."

Consciously or unconsciously, then, the group reflects its concept of welfare in the hierarchy of economic values. In the list of what is found essential can be read what it is that makes life interesting and worth while. But the group's philosophy of life, or concept of welfare, is not reflected in one group of expenditures or activities alone. Rather it is an influence which will permeate the whole standard and be reflected throughout. Every group and every time is characterized by some peculiar ideal or predominating interest or interests. One general principle

<sup>1</sup> W. H. Wilson: *The Evolution of the Country Community*, p. 81.

or belief will often determine the organization of the whole standard, and will be the basis around which it is planned and unified. There can be noted at times an interpenetration of the religious and the economic life. A rigid theology, with doctrines of self-denial and repression, will show itself in the standards of consumption by an asceticism throughout, or in some chosen line which to the group expresses self-sacrifice. Thrift, industry, plainness, austerity, self-denial, given these as ideals, the religious and moral code, the organization of production, and the standards of consumption, can be constructed.<sup>1</sup>

A pagan philosophy will in the same way reflect itself in standards of consumption; or a group of radicals will make for itself a cult of nonconformity. The latter discards the conventions and mode of living of the orthodox, not from a reasoned objection to the goods in themselves, but to express its philosophy of change. America has been accused of writing materialism into all her standards. Others see reflected in the American standard of living the zeal for "efficiency," shown especially in multifarious time-saving and health-promoting devices. Again there may appear in the standard such a phenomenon as the burial insurance of the very poor. Here is reflected the wish for economic independence and respectability as it appears in the group of greatest economic insecurity. Well exemplified by old Betty Higden in "Our Mutual Friend," they will go to unusual lengths to ward off that signal mark of failure in life, a pauper burial; welfare to this group means: At any sacrifice avoid resort to charity.

In brief, our mode of living reflects not only constant human needs and universal human nature, but the changing levels, the twists and turns, of human thought. The

<sup>1</sup> See W. H. Wilson: *The Evolution of the Country Community*. This author attempts to show the organization of work, religion, and the mode of living upon one principle in the lives of the Mormons, Scotch Presbyterians, and Pennsylvania Germans. He says even the church service will show the prevailing motif of the class it serves.

motif by which we make our plans and order our lives may be to appease the wrath of the gods, to ward off disease, to increase productivity, to make our neighbors envious, to express dissent with the existing order, to mortify, or to please the flesh. Whatever, in short, expresses the group's concept of welfare will be for the individual an essential activity and will shape and modify his whole standard of consumption.

## CHAPTER X

### HOW STANDARDS CHANGE AND DEVELOP

THE question how our standards of consumption change and develop is but a continuation of the previous inquiry into their origin. To explain what they are at present necessarily involves a study of how they change and grow. The former chapter may be regarded as an attempt at a cross-section, as it were, of standards in general, this as an attempt to show the forces which shape them at work over a period of time. The former was an analysis of the structural elements of which they are composed; this is an analysis of the process of their development.

The study of standards in the process of change, which is but another way of studying standards in the process of formation, should throw light upon the problem of current market choices. It should suggest the cause for the variations of choices from the norm, the circumstances which give rise to these variations, and the direction which they are likely to take. The concrete problem of individual behavior involved may be put in this fashion: When will there be experimentation in new ways of spending the income? If there is a surplus, what will be done with it? What forces break down old standards and render old habits unstable, and by what process are new values inserted into the code for material living? What determines our choices of luxuries or goods which for any reason are deemed nonessential? And what is the process by which goods which once were luxuries become necessities, and are incorporated into the standard? Putting it in another way, what is required is a study of the dynamics of our standards. The whole question, it is believed, divides itself into two parts: first, a consideration



of the factors and forces which make for change, and, secondly, a consideration of the factors and forces which determine the direction of change. By pursuing these two inquiries, what has happened, and what is now happening, to our standards may become evident.

But before venturing further into the discussion it would be well to raise the rather perplexing question, What constitutes a change in a standard of living? Is the code which governs our mode of living so concrete and detailed in its specifications that the slightest deviation from routine should be considered a change in the standard? In what exactly does the change consist when a new standard is substituted for an old? We have the same problem when we compare the standards of two different groups whether it be the standard of to-day with that of our grandfathers, or the American standard with that of the Japanese. The same question is involved — What is the essential difference? The study of change in standards involves a comparison of the standard of one time with that of another.

Upon the face of it it appears that standards of living change in three ways: (1) There may be change in the actual content of the standard as expressed in concrete goods, but without any change taking place in the individual's scale of values or hierarchy of interests. His concept of welfare, or the part that prestige values play in his scheme of life, for example, may remain the same, but their concrete expression in goods may be altered. The change in this case is in instruments, not in interests or purposes, or their relative importance. It may be doubted whether this is truly a change in the standard. Certainly it is quite unlike the next possible variation in habits of consumption. (2) There may come about a change in the individual's scale of values, a rearrangement of essentials and nonessentials, a substitution of new values, and a ruling out of old. This fundamental change in the relative importance of the various interests

and purposes undoubtedly means a new standard. (3) There may be an expansion and elaboration of the individual's scale of essential values, an increase in the number and the breadth of the minimum requirements. This is the situation which to most minds is identified with a change in standards. New interests and new wants are added to the concept of what is essential and requisite for decent living. Plainly here is a new standard which is different from the old. Let us examine these three types of variations in standards in order to see clearly what is involved in the process of change, and the situation which is associated with each type of change.

It is not difficult to see what has happened in the last two cases mentioned. When the whole mode of living expands and becomes more elaborate, both what might be called a quantitative and a qualitative change in the standard have taken place. It is quantitative in the sense that the minimum requirements for decent, tolerable living are more numerous and involve a greater expenditure or pressure upon resources. It demands more from the individual; it requires more effort to maintain it. But it is a qualitative change also, in the sense that a new scheme of life is represented and that new interests and new values are incorporated into the standard. The second type of change noted above is, however, primarily qualitative. There is no necessary change in total expenditure, merely a new distribution and allocation among purposes. A totally new scheme of life and concept of welfare is carried into effect as a result of this change, but only incidentally, if at all, is the pressure upon resources changed.

The first example given of what might possibly be called a change in the standard, a change neither in the volume and variety of requirements, nor in the scale of values, but merely in the concrete goods which are used in carrying out old purposes, is in many ways the most

difficult to analyze. This is not because such changes are not perfectly familiar and commonplace; many changes of this kind have taken place in the past and are taking place to-day. Many of the so-called differences in standards as between different periods are primarily of this type. Experimentation and substitution of new goods to meet old needs, or new ways of realizing old interests, has been a constant historical process. No one to-day, generally speaking, wears linsey-woolsey, writes with a quill pen, or reads by candle light. But the difficulty with changes of this sort is to differentiate them and mark them off sharply from changes of the third type which involve an expansion of the scale of values. This type of change in the standard presumably takes place without any change in the individual's attitudes or basic scheme of life and action, and without increasing the pressure upon his resources or the demands upon his energy. There is neither an elaboration of the standard nor a revision of its values. Has there been in that case a quantitative or a qualitative change or both? Quantitative change it could not have been, for his minimum requirements have not increased nor the demands upon his resources. Has it then been a qualitative change? There has been no realignment of interests, no ruling out of old values and addition of new. In that sense there has been no qualitative change.

Yet from another standpoint there has been in this case both quantitative and qualitative change. The man who has become accustomed to electric light will not go back to the candle. Is that a higher requirement? The new goods which have been introduced because they serve the old purposes more effectively have introduced in that respect a great qualitative change into the standard. The difficulty in regard to changes which seem to be merely substitutions of instruments, the adoption of a new good to carry out an old purpose, is that there is in most cases not an exact substitution. What usually happens is that

some old values are lost and are not replaced, and new, additional values are gained from the new good. The substitute is scarcely ever just as good as the commodity it displaces; it is usually either much better or is inferior in some way. Furthermore, the process of substituting new goods to carry out old purposes scarcely ever leaves us just where we were with reference to time and resources. If it is a superior good, it leaves a margin either of one or both, and that margin is a surplus for experimentation in new interests and values. But in spite of the difficulty of obtaining clear-cut examples of changes in consumption, which would fall in this first category, it is important to differentiate it logically from the others, and to see that there are changes in standards, differences in standards especially over periods of time, which are neither purely quantitative nor purely qualitative, neither higher nor lower; they involve merely differences in the instruments which are used.

In all these types of change can be seen the evolution of goods from luxuries to necessities. By "luxury" is meant merely anything which at the moment is deemed non-essential.<sup>1</sup> The idea that a luxury is always something very expensive, or something useless, or something which

<sup>1</sup> The various attempts that have been made to define a luxury would seem to show that one is always forced back to this position. Seager, for example, says, "Luxuries may be defined as all economic goods which are not necessities. The latter term includes not merely the food, clothing and shelter necessary to life, but the entire complex of goods which each industrial class finds necessary to its industrial efficiency." But a few lines further he recedes from this position, which is presumably his view of what ought to be a luxury, and says, "A formal definition of an economic necessity would be: the things absolutely essential to the industrial efficiency of the average family in the class considered, together with the things which are preferred above the absolute necessities by the member of the family who directs its consumption." *Outlines of Economics*, p. 73. Hartley Withers tries to set up a test as follows: "A luxury is anything that we can do without, without impairing our health of mind or body." *Poverty and Waste*, p. 155. But this is no absolute criterion for all groups and times. How would an individual apply it except to rule out the "nonessentials," that is, those things not included in his standard?

yields physical ease and pleasure will scarcely bear close scrutiny and analysis. There have been many attempts to set up absolute criteria of what constitutes a luxury, usually in such terms that avoidance was both a moral and an economic duty. But it is believed that all such attempts are bound to be unsuccessful simply because anything, of any nature, will be regarded as a luxury if it does not represent a value incorporated into the standard and hence by definition considered an essential.<sup>1</sup> The notion that some goods are nonessentials, hence luxuries, is the obverse of the notion that others are essential which is the heart of the concept of a standard. A changing standard then always means an evolution of former luxuries into the class of necessities. New goods are bound to be considered luxuries, and so-called luxurious expenditure is that experimenting with new values without which no change in standards could take place.

The cause for the general disapprobation upon moral and economic grounds of expenditure upon luxuries *per se* is not far to seek. Since they are nonessentials, their purchase connotes extravagance and self-indulgence. Conscientious scruples and a feeling of recklessness attend such expenditure. If there is a general feeling that consumption should be kept at a minimum, and that saving is a virtuous and prudent act, moral and economic motives alike will inhibit luxurious expenditure; the conscientious will shrink from expenditure upon nonessentials. But it should be noted that there may be a special pleasure in the purchase and possession of luxuries, just because they are

<sup>1</sup> This is not to infer that a concept of essentials is not open to criticism. One can always say what *ought* to be considered a luxury or a necessity. As has been said, the critical analysis of all values is the business of human intelligence. Any valuation whether leading to the classification of the good as a necessity or a luxury is subject to criticism. This, however, is a different thing from the condemnation of all luxuries *per se*. A critical study of standards is the subject of the next chapter under the heading, "What is a High Standard of Living?"



luxuries. This operates to encourage the expenditure which conscience otherwise might check. The acquisition of luxuries gives a feeling of economic well-being, a sense of economic freedom, and power over the goods of life which does not come from control over the bare necessities. Absence of all expenditure upon luxuries is felt to indicate a very limited and narrow existence.

But whether to be approved or disapproved, most changes in standards involve expenditures upon goods and modes of activity which are for the time being deemed luxuries. There is scarcely an article of everyday use to-day which has not run the course from luxury to necessity. In some cases it took only a few years to make the change; in others it was a matter of generations. It is now commonly said that the luxuries of one generation are the necessities of the next. What a list could be made of the essentials of to-day which in the past were wild extravagances or selfish indulgences, or fads, or display — from bathtubs, toothbrushes, automobiles, forks, matches, window glass, umbrellas and sugar, to houses with chimneys, and furnaces, and plaster, and floors, and waterproof roofs.

No term is probably more elastic than the word "luxury." It covers every expenditure which the critic considers irrational or unnecessary. To some, expenditures for beauty in any form are obviously unnecessary; others would say the same of expenditures for education beyond a certain point, and for travel and books and magazines. To every one the conventional necessities, the prestige values, of another class are luxuries or unnecessary expenditures.<sup>1</sup> What we do when we make a list of "luxuries" is merely to note those goods not included in the standard of essentials of our time and group. This can be seen in every recorded attempt from that of Pliny, the ancient,

<sup>1</sup> Just as the luxuries of one generation may be the necessities of the next, so the luxuries of one group may be the necessities of another. How then can there be an absolute criterion of what constitutes a luxury?

who mentions ice and asparagus as quite indefensible luxuries, to Hartley Withers, the modern, who mentions motor cars and cycles, and "that newfangled toy" the telephone.<sup>1</sup> A common report of investigators of working-class budgets is that expenditures for beer and tobacco are regarded as inevitable and necessary, but that money for harmless hobbies, for games, or for books, is begrudged.<sup>2</sup> Adam Smith, however, pronounced beer and ale in Great Britain and wine even in the wine countries, luxuries, because he said they are neither necessary for the support of life, nor is it indecent to go without them. Applying this principle he cited linen shirts as necessities throughout Europe although the Greeks and Romans lived very well without them, and leather shoes as necessities for both men and women in England, for men but not for women in Scotland, and for neither sex in France where both men and women of the lower classes habitually went without them.<sup>3</sup>

The goods, then, which might at the moment be classed as luxuries by different individuals or groups would vary greatly. All goods would be so labeled which, because of strangeness or for some other reason, did not represent requirements in their scheme of life. There would be those goods which from their rarity and costliness have never become articles of everyday use, and which persist in the class of luxuries throughout centuries;<sup>4</sup> there would be those goods which had never been felt to represent important interests or to fill an important place in human life; and, finally, there would be the new goods which previously had been unknown or out of reach. An increase in the supply and a decrease in price may lead to experimentation

<sup>1</sup> *Poverty and Waste*, p. 155.

<sup>2</sup> M. Loane: *From Their Point of View*, p. 39.

<sup>3</sup> *Wealth of Nations* (Methuen and Co., 1904), II, pp. 354-55.

<sup>4</sup> It is evident that these luxuries are well adapted to confer prestige value and indicate the membership of the owner in a powerful economic group. Goods of this class tend to become the conventional necessities for the purpose of displaying wealth.

with a good in the first group and its incorporation into the standard of the necessary; a new alignment of interests and needs may lead to a changed attitude toward some of the second group, and experimentation may ultimately place the third group in the category of essentials.

Experimentation, then, with new goods, no matter for how utilitarian a purpose they may be designed, usually represents an expenditure upon luxuries. This is the case not only with goods which serve a new purpose, but also with those which are designed to meet an old need. Some new goods there may be in these days, substitutes of decided superiority, which are never luxuries, but are immediately introduced into standards of consumption. But, generally, they come upon the market tentatively, in small numbers, at high prices, and are regarded as luxuries and are used only by those who have a surplus. Certainly distinct novelties, goods which render distinctly new services, have this history. They are nonessentials, possession of which is a mark of wealth and confers a certain amount of distinction upon the owner. For this reason most innovations and changes in modes of consumption are initiated by those groups which are in possession of a surplus, i.e., have a margin over and above that which is sufficient to maintain the standard. They buy the luxuries of life, both those large and small in price, and demonstrate, as it were, their values to those unable to experiment.

The transition of a good, then, from a luxury to a necessity is one way of describing the process by which standards develop and change. This change usually results from the possession and spending of a surplus, and is especially associated with what is known as a rise to a "higher" standard, an expansion or elaboration of the mode of living. This surplus or margin which makes experimentation possible, comes about in two ways, one an increase in the money income, the other a decreased cost of the goods required to maintain the standard.

The standard can change, however, without any experimentation with a surplus. New goods can be substituted for old merely from a change in the environment in which the individual works out his ends and purposes. The requirements for "decent" living need not have changed quantitatively or qualitatively, merely the "means" that are used. Nor is a change in the scale of values necessarily dependent upon the existence of a surplus. There is an experimentation with new values, it is true, but not necessarily an increase in resources or opportunities. It is the result rather of the conversion of the individual to a new scheme of life. Each type of change in our standards can be associated then with a different situation — elaboration of the standard with the existence of a surplus, a change in the goods used with a change in the arts, and a readjustment of interests with a new outlook upon life. But this division is in many ways arbitrary. Actually all are usually taking place together. At one and the same time changes are taking place in the concrete goods used to satisfy old wants, old values and interests are disappearing and new ones coming into prominence, and the number and extent of the minimum requirements are expanding.

But no matter how we analyze the differences between standards at different periods and in different groups, and classify the changes which take place, the same twofold problem presents itself. What are the factors or forces which make for change, and what are the factors or forces which determine the direction of change? Why does this process of experimentation take place? When can it take place? Are there "driving, facilitating and beckoning" conditions and forces, and, if so, is there anything to determine the direction of change? When the individual has opportunity for experimentation, what will determine his choices, and what will determine his ultimate selections of essential values?

## A. FACTORS WHICH MAKE FOR CHANGES IN STANDARDS

The factors or forces which make for change can all be comprehended under the nature of the individual, on the one hand, and the character of the external world which is presented to him, on the other. This is another case of the familiar fact that every activity is the response of an impulse within the individual to a situation in the world about him. Changing standards, experimentation, and variations in the individual's choices are to be explained in two ways. On the one hand, there is the individual's marked tendency to seek new experience, and, on the other, there are the opportunities for a wider range of choice offered by a more complex environment, by a more abundant and varied supply of goods which in some way has become available to him.

What is it, then, that happens to the individual when he embarks upon a new enterprise in consumption? What are the forces within him which lead to experimentation and change, to a quest for new values? The fact seems to be that change, innovation, and experiment are as native to man as are conformity, and the acceptance of custom, habit, and convention. He not only holds fast to that which is good, but he seeks what is good. He not only accepts what is presented to him as truth, but he is continually asking, What is truth? This seeming contradiction in human nature is but conservatism versus radicalism, order versus change, and harmony versus conflict. On the one hand, man shows himself suggestible and imitative, with a desire for uniformity, and to be like others; on the other, he appears showing a strong tendency to take a lead, to assert himself, and to be different from his fellows.

This paradox is a familiar aspect of human nature. A cross-section of society with its attitudes and activities at any moment of time — a static view as it were — emphasizes the tendency to grouping and standardization, to



alike ness in thought and values, to the crystallization of codes and standards about specific situations. It shows mankind following custom, convention, fashion, and other behavior patterns previously laid down. But a view of society and social activities and attitudes over a period of time, a dynamic view, brings to light the forces which make for change, the desire for self-assertion, for distinction, for difference, for individual expression. A study of standards of living as they are, accordingly, emphasizes the conforming, imitative tendencies shown in habit and custom, while a study of standards of living in process, a dynamic view, emphasizes the forces within man which lead to experimentation and change. The individual's yielding to social control and direction gives stability and solidarity to social life and permits of social organization. It protects the individual and gives him the benefit of group experience. The other tendencies of the individual, his yearning for new experience, his curiosity about the unexplored portions of his universe, and his desire for self-assertion and expression, lead to innovation and change, and it may be to progress.

The way in which this disposition of the individual to seek new experience works out in his conduct as consumer, is analyzed by Stuart in his study "The Phases of the Economic Interest."<sup>1</sup> He states as his problem, the genesis, the actual process of becoming, of our standards of living. He declares that the explanation of our choices is not the pressure of felt wants which it is known the new commodity will satisfy. On the contrary, the new, the untried, appeals just because of its novelty; it "appeals directly to a spontaneous, constructive interest already in us." "Consumption may be a speculation and adventure as well as production." In the same volume Professor Tufts, discussing "The Moral Life and the Construction of Values and

<sup>1</sup> *Creative Intelligence*, pp. 282-353, H. W. Stuart: "The Phases of the Economic Interest."

Standards," says, "Man is not a consumer of pleasures; he is a creator of life."<sup>1</sup> This is a synthetic view of choice. "It represents not merely a process of evaluating ends which match actually defined desires, but also a process in which the growing self, dissatisfied with any ends already in view, gropes for some new definition of ends that shall better respond to its living, creative capacity."<sup>2</sup>

Cooley in his "Human Nature and the Social Order" presents the same concept in his discussion of choice.<sup>3</sup> He shows that, while at one end of the scale, our choosing, or the selective process which all activity involves, is largely unconscious suggestion, at the other end it may be an elaborate, volitional type of action which may be described as a creative synthesis of suggestions derived in one way or another from life in general. Choice, in its individual aspect, at the upper end of the scale, is a comparatively elaborate process of mental organization and synthesis; it is a process of growth and of progressive reorganization of the materials which life presents. Thus the creative impulse in man leads to innovation and change, to new schemes of life and action. The individual in a rôle of speculator and adventurer breaks through the cake of custom, habit, and convention in his material mode of living as well as in other realms.

But although there is a fundamental impulse in all men which leads them to abandon routine and to seek new and greater values, yet it is obvious that the extent and rapidity of this innovation varies widely from time to time and place to place. Literally for centuries historical records show peoples living with unchanged standards, creatures of routine, habit, and custom. In startling contrast are the peoples of the modern western world with all their stand-

<sup>1</sup> *Creative Intelligence*, p. 374. Quoted from Croce: "Philosophy of the Practical," p. 312.

<sup>2</sup> *Creative Intelligence*, Tufts, etc., p. 374.

<sup>3</sup> Chap. II.

ards in a state of flux — all values in a process of reëxamination. What are the dynamic forces which arouse the innovating spirit in men, especially those which operate upon their consuming habits and standards? These factors have often been recounted to explain changes and developments in other fields, but they are equally applicable here.<sup>1</sup>

In the first place, the rate of change in customs and standards will vary with the temper and attitude of the age and group with reference to the old and the new. A group that is imbued with great reverence for the old because it is old, and which has this attitude supported by a long-established complex of motives and appeals, will be slow to change. A break away from the ways of the fathers may be considered sinful, and showing a lack of all proper sentiment. On the other hand, an age, or a group, may be characterized by its lack of reverence for the old and the traditional. It may have what Ross calls "the habit of breaking habits." Its respect may all be given to the new because it is new, an attitude which has nothing in common with the one mentioned above except its irrationality.

A second factor which tends to stimulate the rate of change is the amount of contact and communication with other manners and standards. This inevitably leads to a conflict of ideals, and brings to bear suggestions and influences which are likely to modify all values except those that are most strongly entrenched and fortified by sentiment and belief. Change proceeded so slowly that it was almost imperceptible when mankind was scattered over the face of the earth, living in relatively small, isolated groups, shut off by physical barriers and lack of means of transportation and communication, ignorant of one another's language and literature. The occasional traveler brought home strange goods, strange products and strange customs. He brought home, moreover, a mind receptive to change. As traveling in body or in mind became easier and more com-

<sup>1</sup> See E. A. Ross: *Social Control*.

mon, old horizons fell away. Life offered more materials for the creative synthesis to work upon. Adventure in new values, economic and otherwise, became conceivable. The emigrant, especially, has a frame of mind favorable for change. He expects a changed mode of living and is reconciled to it. Lately it has come to be, that, instead of slow migrations, requiring centuries, millions of people change their habitat in a few decades, meeting and settling down to live side by side with people from other lands. The natural result is a frame of mind tolerant of change and ready for new things.

A third factor which opens the way for almost unlimited change is the growth and spread of the scientific spirit and of scientific knowledge. This is nothing less than human intelligence going about its business of criticising current valuations. Once get this started and nothing is inalienable and immutable. The scientific spirit with its tools of experiment, observation, and comparison is bound to break down the barriers to change. A tentative attitude towards the goods of life is spread broadcast, and the old order is endangered.

Finally, there is to be noted a factor which to-day is of great importance in facilitating changes in standards of consumption, in breaking down habit and custom and suggesting innovation and experiment. This circumstance so favorable to change is the consumer's position of formal freedom of choice under the present industrial organization, and the pressure which is constantly brought to bear upon him by competing market agencies. Except in a very limited sense "free" choice was impossible before the present organization of consumption upon a pecuniary basis. Customary consumption alone was practicable with a small, self-sufficient producing unit bound down by the resources at hand. But as soon as the individual, as consumer, attains a position of formal freedom, with the possibility of choice even under limitations of income, the tendency to-

ward experiment and innovation is bound to present itself.

Further, the whole market organization of the day suggests and encourages experimentation. How can the modern consumer stand firmly by his old standards and values with all the pressure, the persuasion, the insidious devices to cause him to yield to the temptation of the new, the different, the untried? On every side he hears: Try this, try that. He is constantly being told that some new commodity is just as good or much better than his favorite brand, or that by using some distinctly new good, new sources of satisfaction will be opened up to him. It would seem to be very difficult to maintain a conservative attitude. Further, the very process of expenditure, involving as it does calculation in pecuniary terms, a translation of an income of fixed magnitude into the necessities of material life, tends to break down conservatism and engender change. In turning generalized purchasing power into specific goods, there must be in some fashion or other a plan or budget, a distribution of expenditure among various purposes. This necessity in itself develops an attitude of mind favorable, or at least not averse, to change. The very necessity of taking thought to some extent about the organization of consumption opens the mind to the possibility of experimentation and departure from routine.

These are some of the factors which stimulate the individual's native tendency to seek new experience and to work out new values. According as they are present in greater or less degree, the rate of change will vary. It might be said, that, under the circumstances noted, change is suggested to the individual; he is placed in a receptive attitude toward innovation. But there are still to be taken into account the conditions which make it possible for a development and expansion of his standards of consumption to take place. It has been shown how the barriers and obstacles to change within the individual are broken down, how custom and



convention may be overridden by stronger forces. Now it is necessary to review the breaking down of external limitations and barriers, the process by which the range of choice is widened, and a larger world of valued objects presented to the individual.

To go into this aspect of changing standards would be to tell again the familiar tale of the great expansion of the field of choice attendant upon the introduction of present-day machine methods and the development of trade and commerce. The old familiar wares, the necessities of everyday life, were cheapened; substitutes arose in great variety and new goods were brought from foreign climes; new commodities of all kinds were produced under the lure of profits and the pressure of competition. At the same time consumers were given formal freedom of choice, and producers began to devise ways and means for presenting and urging their goods upon them. Custom and habit were besieged on every side; the individual was bound to revise and change the concrete content of his standard of living. The desire for new experience, the attraction of a new good — perhaps a recognized luxury — the evaluation which shows the “betterness” of the new good, all combine in varying degree to bring about experimentation. When the use of the new good finally comes to have the group sanction, and the feeling arises that this particular good is in some way essential, then it can be said to be incorporated into the standard. Hereafter its choice is in no sense an adventure, but a carrying out of the obviously appropriate scheme of life.

This breaking down of the external barriers to change, to experimentation, and to the expansion of standards by the enormous increase in producing possibilities, is to be thought of primarily as the emergence of a surplus over and above the amount required by old habits of consumption and concepts of needs. Until the existence of such a surplus permits, the individual will not feel free to change his

mode of living. Experimentation and deviations from the established norms of conduct mean the possibility of waste and error; new goods, new modes of activity, by their very newness are of doubtful expediency. A conservative attitude will persist until a surplus permits a relaxation of caution, until a margin of safety is guaranteed. Both from the individual and the social standpoint change and expansion in consuming activities should be associated with the possession of a surplus. Consumption will not abandon the level of custom until economic conditions make it feasible, until there is a substantial margin above the level of subsistence.

But although physical existence may not be threatened by the use of the new freedom, there are vast possibilities for economic wastes in the exercise of choice which the possession of a surplus makes possible. It is for this reason that the process by which new valuations are made and incorporated into the standard is so important. It is for this reason that it is desirable to inquire into the forces which are shaping the new values and the direction which, under given social conditions, the change in modes of living will take.

The possibility of experimentation, then, is suggested to most individuals by the existence of a surplus over and above the amount necessary to meet the minimum requirements of their customary standard. They are not called upon to sacrifice any of their old values, but to add to them new, tentative values which may later rule out the old or be added to the group which compose their standard. The surplus which makes this possible may accrue in two ways, both of which occurred upon an extensive scale at the beginning of what is known, industrially, as the modern period. Some individuals found themselves in receipt of rapidly rising money incomes, and others experienced an increase in real income by a fall in the price of their necessities.

Never perhaps was there such a body of *nouveaux riches*

as the successful promoters of the new economic organization of the nineteenth century, together with those who found in greater abundance of goods the possibility of expanding consumption to unheard-of limits. The problem of spending was a most difficult one for the new millionaires and multi-millionaires of the newer countries. The spread was so great between their customary mode of living, which meant for them sufficiency, and the income over which they had command. How could this surplus be spent? Here was an unequalled opportunity for experiment in new values, and an unequalled opportunity for waste also. Speculation in consumption could take place on an enormous scale. Here was an opportunity for the creative impulse to show itself, for the satisfaction to the full of the feeling of freedom and well-being which can only come from expenditure upon luxuries or nonessentials. Here was opportunity for the display of economic power through expenditure. This situation arises whenever a surplus accumulates. From the new materials presented by life new values must be created. New standards of concepts of essentials must be developed which may become the norms of conduct for new generations.

The free experimentation with new goods is promoted also by the breakdown of old class barriers and class distinctions. The more democratic the social spirit, the less restricted and limited is the concept of what is or is not permissible for individuals of the different classes to do and to enjoy. As long as the class distinctions of a régime of status persist, fixed ideas of the duties and range of activities of the different classes will persist. In countries where the influence of an aristocracy based upon birth survives, there is quite a feeling of outrage if the lower classes begin to acquire goods which had previously been the exclusive possession of the "upper" classes. The Scottish Parliament in 1430 was moved to legislate that no person under knightly rank or having less than two hundred marks of yearly in-

come should wear clothes of silk or those "adorned with superior furs." And again in 1477 that no merchant or his wife should wear clothes of silk or costly scarlet gowns. Laborers and husbandmen and their wives were limited to garments of cloth of their own make or of a value not in excess of eleven pence per elne.<sup>1</sup> Japan in the nineteenth century tried similar sumptuary legislation, but found it a difficult thing to regulate consumers' activities by law in a price-organized society.

Seemingly the only effective method of regulation to-day is to educate people to know their place and what is fitting for their class. For example, domestic servants must know that their place in a London theater is in the pit; factory workers must know that they should not wear fur coats, and shipyard workers that silk shirts are unsuitable. It is true that the protests which rise up against the "luxurious" expenditure of prosperous plumbers, farmers, and factory girls are made ostensibly on the ground of the extravagance and lack of foresight displayed. But often one can also detect an offended sense of propriety, and a feeling of resentment that they should thus be spending their surplus upon goods which in the nature of things belong to the well-to-do and privileged.<sup>2</sup> If this feeling can make itself felt through social disapproval, it will to some extent inhibit the free speculation in consumers' goods which might otherwise take place.

But not all changes in standards of consumption can be explained by the removal of social and economic barriers to freedom of choice. True it is that from the experimentation thus made possible in "substitutes" and new goods,

<sup>1</sup> Charles Rogers: *Social Life in Scotland*, I, p. 83.

<sup>2</sup> If this feeling were not a reality, why should the well-to-do say in the case of wage disputes: The laborers do not need more money. If they applied their own standards they would say, How can they live on so little? Or, how can the man who feels poor on five thousand a year marvel, as he often does, at the affluence of the carpenter who, he estimates, is in these days receiving two thousand?

new values are created which transform the actual content of the standards, and lead to their quantitative and qualitative expansion. A surplus, whether the result of an advance in income or of a decline in price levels, is well-nigh certain to bring about a change and development in the concept of essentials. Given opportunity, new interests and activities spontaneously show themselves. But qualitative changes in standards do take place quite independently of economic changes shown in a surplus. Changes appear in the individual's material mode of living and in his concept of the desirable and essential, if his outlook upon life and his philosophy of life change in a sufficiently wholesale and radical fashion. That "Every truth that mankind knows becomes an economic want" has already been noted. As they learn new truths and discard old errors, new economic values arise. Education, religion, or propaganda from any source, mean new activities, new interests, new expenditures. New creeds mean new needs. Not every cult affects expenditure and the mode of consumption, but many do, if not in the concept of physical necessities, at least in the symbols of what men strive for. There is nothing that will more quickly alter habits of expenditure than a new group rating of aims and purposes and of the conventional symbols therefor. Red Cross cards and Liberty Loan certificates take the place of a dress parade, contributions to foreign missions are substituted for new parlor furniture, art galleries and libraries for elaborate dinners and social functions. In short, a new concept of welfare, whether vaguely or definitely formulated, worked out either by the individual or by the group, involves a corresponding change in standards and in the choices of economic goods.

#### DETERMINANTS OF THE DIRECTION OF CHANGE IN STANDARDS

More significant for individual and group welfare than the mere fact of change in standards is the question: What



determines the direction of change? What safeguards are there that changes will be in the direction of progress, or that a dynamic, expanding standard is really the development of a higher rather than a more expensive standard? There are strong human impulses which lead to innovation and change; present-day circumstances facilitate and stimulate the rate of change, and economic surplus gives opportunity for change. What governs the individual's choices? How much waste and error is there in the experimental process?

The problem in its simplest form may be conceived as the behavior of an individual who finds himself in the possession of a margin above that which is necessary to maintain his customary standard, or, in other words, to obtain the essentials of life. The problem is the spending of the surplus. What it is spent for will, obviously, be luxuries to the person making the expenditure. From these luxuries of to-day will come presumably the necessities of to-morrow — what are they?

Any implication that the individual has any difficulty in determining the direction and form that the expenditure of surplus income shall take would obviously be most untrue to facts. Any one could make out a list of luxuries, goods which he would like to have and which would give a zest to his life and a feeling of well-being, as readily as he could prepare a list of necessities, goods which he must have to satisfy his minimum requirements and preserve his self-respect. What would govern his selection of the luxuries, the new interests to be realized, upon this list? In the first place, variations might be expected to some degree from individual to individual. Every one may be supposed to have some heart's desire which he could not carry out without social disapproval as long as he was barely meeting the minimum requirements of the accepted code. Some "obligation" had hitherto deterred the realization of these special and purely individual interests. That is, in the expenditure

for luxuries strong individual tastes or predilections show themselves, which were not able to do so until the socially determined requirements were met. Hobbies and avocations of one kind or another are pursued by the man who is "free" to do so.

The variety of the lines which expenditure may take when it represents individuality seeking expression, is almost infinite. All the stored-up impulses, selfish or unselfish, all the desires which could not before be realized, all the curiosity about the world and life, all the interests which never before were adequately realized, in so far as the barrier to their expression was economic, may now show themselves. In this expenditure are joined the feeling of freedom and of economic well-being which all expenditure upon nonessentials gives, and the additional satisfaction of self-expression. It is small wonder that the desire to improve one's economic status falls only slightly short of the strength of the motive to maintain it. Primitive instincts, or interests which are baulked or only inadequately realized in the productive process, show themselves in the expenditure which a surplus permits. The business man turns to farming or to building, or to collecting first editions. Now there is travel, or study, or the carrying out of educational or philanthropic schemes.

Again, the spending of a surplus may be determined by all sorts of fortuitous conditions and circumstances peculiar to the life of the individual or group in question. No generalizations can be made as to the trend of these expenditures. For example, it may be rather amazing to the urban dweller to hear that in Kansas there are more automobiles than bathtubs, that is, that the new prosperity of the Kansas farmer was expressed in the purchase of the former rather than the latter. But this may be due not so much to different standards of cleanliness between citizens of New York and Kansas as to differences in the ease with which the two groups can secure social intercourse and get

in touch with the world in general. This is but one of many possible illustrations of variations in the spending of the surplus between individuals and between groups due not to differences between the individuals, or in their social background, but to difference of circumstance and of conditions of life. The point is that a surplus above what is required for essentials means opportunity, opportunity for the expression of individual differences, either in interests or in circumstance.

But although the spending of the surplus is to some degree dictated, as has been described, by the free expression of individual interests and tastes, and by the chance conditions in which individuals find themselves, yet this explanation is by no means adequate to account for the majority of new habits of consumption that are formed. Unfortunately, in the majority of cases where there is a surplus to be spent, there are at least three obstacles to the untrammelled operation of the influences described above. The direction which expenditure takes is, in most instances, determined only in rather slight degree by strong individual bent or bias toward definite activities or modes of self-expression.

In the first place, it is only the unusual individual with strongly marked, definite tastes who can show originality and individuality in his spending. It is to be remembered that the problem is not how do the rich spend their money. The question is how does any class, rich or poor, if they have a surplus, spend it. All, presumably, want interesting, pleasurable experiences which, they feel, their resources should command for them. But are there many who are guided in their quest by specific, individual desires? The fact is that most people seem to choose their luxuries blindly, selecting by the crudest of criteria, and following one another like sheep with a uniformity almost as predictable as the demand for the most basic physical needs. The reason for this may be called the second obstacle to "free" individual experimentation. Originality, clear-cut

individual tastes, even hobbies, are partly the result of education, of a process of cultivating tastes, awakening interests, and gaining knowledge of the values in the universe. But education of all kinds is a notoriously limited good, and it is questionable whether such as there is, is of the type to develop interests which would clearly dictate new methods of consumption.<sup>1</sup>

The third obstacle to the cultivation of distinctive interests which might find their realization in the spending of the surplus is that such interests usually involve thought, constructive ability, and time to carry them out. They involve a certain degree of freedom from purely productive activities and preoccupations, in other words, a fair degree of that very limited good, leisure. Since what we call leisure is the opportunity for carrying out other-than-productive activities, and what we call consumption is the economic side of carrying out these same other-than-productive activities, the way the two are tied up together is evident. Leisure is required for an expansion of the modes of activity called consumption in ways that take thought and time. If it is limited, individuals must spend their surplus if they do spend it, in non-time consuming ways.

What, then, will determine how the surplus is spent, when leisure is limited, when education is limited and not such as to develop tastes and interests in nonproductive lines, when public and private attention and interest are directed away from consumption, and when few individuals approach their problem as consumers with clear-cut, well-defined individual tastes to guide them in prospecting for new values? Will expenditure proceed under these circumstances? Yes, for all the reasons given before, the vague reaching out for new experience, the feeling of prosperity and well-being that luxurious expenditure gives, the

<sup>1</sup> And wisely so, the economist interested in saving might say. But the result probably is not saving, but humanly wasteful methods of consumption.

display of wealth and power, the prestige which is attached to spending upon articles ear-marked "luxury," and for other than the minimum requirements.

But under the circumstances noted, what direction will expenditure take? The answer is, the easiest way. For example, one tendency that shows itself is a quantitative increase in the expenditure for old commodities — more of everything without regard for conditions of utilization. This is one of the easiest and crudest forms of display of surplus, a lavishness, a conspicuous wastefulness, which however does not develop a single new interest. It is a simple, non-thought requiring method of luxurious expenditure, but it has its obvious limitations. It is not even the best method for securing display and prestige values. One manifestation of this type of expenditure may be an excessive emphasis upon some line where pressure previously had been great. The expenditure may represent a reaction from the old difficult conditions. For example, under frontier conditions where physical hardships abound, the reaction may take the form of an extreme emphasis upon physical comfort and self-indulgence; and excess of those things which formerly were most noticeably absent. This may happen in spite of the occasional occurrence of the opposite phenomena, a clinging to and persistence of old habits of economy after they are quite unnecessary.<sup>1</sup>

Another means of disposing of a surplus without cultivating new interests is to seek the superlative in quality in each article acquired. Not only more of each old good, but each with its desirable qualities in their most extreme form may be the ideal of luxurious expenditure. This tendency is rather frequently disclosed by the expenditure of those newly in possession of a surplus. More than the desire for display may be behind it. It may be the desire for the "best," the desire for once to have just as good or better

<sup>1</sup> See Wicksteed's discussion of the persistence of traditional values in *The Common Sense of Political Economy*, pp. 116-17.



than any one else. So many of the market choices of those struggling to maintain a standard are between different varieties, qualities, and prices of the good which, in general, is considered essential. It is not until we are in possession of a surplus that we have really much choice as between quite unlike commodities; our decisions and choices lie, as was said, between different grades of the requisite articles. Most American women, for example, consider a hat an essential head covering; they would rarely, if ever, decide to go without a hat in order to buy shoes. Their choosing is all between hats of different price and quality.

The possession of a surplus, then, spells opportunity for those who for long have been choosing the cheapest and the most inferior. Now they seek the "best," it may be blindly and upon the simple logic that if a certain quality is desirable it is better to have it more so. The limitations upon this mode of spending the surplus are obvious, as in the case of its counterpart, the acquisition of more of each necessity. But both are lines of least resistance, and are likely to be the first resort of those who cannot bring time and thought to the consuming process. But the appropriate in quantity and the best in quality as ends of expenditure cannot be attained by any such simple and easy process.

There is yet to be mentioned the primary factor, which, it is believed, determines the direction and nature of the individual's expenditure of his surplus. There may be cases when a special bent is given to expenditures by fortuitous conditions or peculiar individual tastes, but, upon the whole, there is one uniform principle which governs these expenditures. How is it that we know with such certainty as we do know, just what the luxuries of life are, those non-essential, but highly desirable, articles which are now within our reach? We know because we accept as such the goods and activities of the *élite* or the superior social classes. The newly rich man, the poor man in possession of a meager surplus, both with a minimum of time and energy it may

be, satisfy their desire for new values, for display, for luxurious expenditure, by copying as nearly as may be the mode of living of those in a higher social scale. Why think out the problem of what is desirable? Here are the good things of life which have hitherto been desired. Take possession of them. It is needless to speculate upon the barrenness of such expenditure in terms of individual satisfaction. The cause for the frequent dissatisfaction is not, however, always realized by the individual; the procedure has been so obviously the right and logical one.

This then is what men strive for when they work to improve their economic status, that they may incorporate in their mode of living and enjoy as luxuries, the necessities of the next social grade. The standard of a group may expand and become more elaborate, but it may not be a new qualitative entity, but instead a duplication of a mode of living already worked out. Whatever there is both for good and for evil in the standard at the top tends to work down to the bottom. Conventional necessities, clothing, food, modes of recreation, are taken over. As Dewey says, democracy's main effect seemingly has been to multiply occasions for imitation.<sup>1</sup> The possessor of a surplus never doubts how it should be spent; it goes as completely as possible toward duplicating the mode of life of which the socially élite furnish an object lesson. Knowledge of what are luxuries, the things which make life good, comes in the same way as the knowledge of necessities, the things which make life tolerable. They are a part of the social inheritance and environment. There is as little real independence in choices above the margin as in choices below. The individual simply elaborates his mode of living by incorporating those goods which hitherto had been the exclusive possession of the more well-to-do or those recognized from some cause or other as the to-be-imitated. This is the easiest way, to accept as the most desirable, as to be attained, the consum-

<sup>1</sup> *Human Nature and Conduct*, p. 66.

ing habits of others. True, it displays a lack of inventiveness and originality, but it gives the sense of well-being and prosperity. You, too, can live well and afford the best.

It is clear then why an accruing surplus is spent so quickly and automatically, why luxuries are bought so eagerly and readily as to suggest that they rank higher than the so-called necessities in the individual's scale of values; the reason is evident. Luxuries of the display or conspicuous type, those that can be imitated, give their possessor a new and higher status. They place him in a new class and confer social distinction. To secure this end, strong individual preferences, in the rare cases in which they exist, will oftentimes be sacrificed. It takes almost as much strength of character, seemingly, to refuse to yield to the pressure to spend the surplus for such a purpose, as to resist the social pressure to choose the conventional necessities of the standard of your own class.

All these influences which lead the individual to seek new experiences and values through expenditure, and which direct him in his actual choices of what his new goods shall be, are strengthened and furthered by the constant pressure brought to bear by the producers. In their advertising and selling methods can be seen reflected the diverse interests and motives which lead to the spending of the surplus, and the forces which determine how it shall be spent. Is the direction of consumers' choices governed by the producers? No, not in the sense that here is a counter force or an independent force which pulls in a different direction from the influences suggested above. The producers' appeals simply reflect and "weight" other incentives to change.

However, the presence of profit-seeking, competitive producers is of the greatest significance. Here are manufacturers and dealers whose profits lie in vividly and persuasively presenting the case for expenditure. Whatever appeal can be made will be made. Here are organized propaganda to force the consumer to action; here is the deliberate attempt

to manufacture from the consumers' vague and general desires for new values, definite, effective preferences for specific commodities. The producers' activities in marketing are to be seen, it is believed, as an expression of all the forces and factors which make for change, with each producer playing up the motive or circumstance which will turn the direction of change in his favor. Thus behind all the incentives to change and expansion of the mode of living inherent in the individual and the social organization, there is the pressure of the deliberate organized effort of profit-seeking producers. They augment and accelerate, if they do not initiate and govern, changes in standards.

As we look at the advertising and other choice-guiding activities of producers and dealers they seem to be primarily concentrated upon three classes of goods. First, there is the class which might be called substitute goods, either well-known standard products for which a new use is proposed, or entirely new goods devised to meet an already existing need. In both cases let us assume that the purpose for which the goods are intended and their quality are clear. Here the producer's problem is to break down the conservatism of the consumer, his clinging to some specific article of diet or of dress, to lead him to experiment, or to make a new evaluation in which the "betterness" of the substitute will be seen. This production and promotion of substitute goods may help decidedly in changing the actual content of the standard. A wider range of choice is presented to the consumer, and the good that scores highest, or finally receives the sanction of those who know, will be introduced. Producers' activity in pushing their goods as substitutes often introduces a desirable element of variety in the goods that are used; the old commodity is not supplanted entirely, but its consumption is greatly reduced.

The second class of goods for which advertising and selling costs are heavy, and in which competition is keen,

is that rather large group of unstandardized articles for which tests of quality are unknown or difficult to apply. It is not that the general purpose which these goods are to serve is unknown, but the value of the particular commodity is very difficult if not impossible for the consumer to determine. Here is a case where choice is very difficult, and where the result to the consumer may be most unsatisfactory, but without his knowing why, or how to remedy it. Good salesmanship in this line of goods is not that which effects a sale, but that which chooses more wisely for the consumer than he can choose for himself. The producer's selling efforts in regard to commodities of this class are directed mainly to the establishment of his particular brand of variety. He standardizes the hitherto unstandardized. His trademark or package becomes the visible sign of quality for which the consumer looks. Lacking these he can only accept the dealer's word, or take that very rough test of quality, price. The competitive activities of producers in regard to this particular group of goods may be said to have no direct effect upon consumers' standards. Indirectly, however, they raise the standard of quality of particular goods by enabling the consumer to choose more effectively between rival brands.

There is a third class of goods for which the marketing problem is quite different. This is the class of goods which may be called luxuries in the sense the word is being used herein, goods which are felt to be desirable, perhaps, but nonessential, the new goods for which no very definite, clear-cut purpose has been found in the scheme of things. Along with the pushing of these novelties might be placed campaigns to connect old goods with entirely new interests. The attempt to place these goods upon the market involves an "education" of the consumer; he must be informed and converted; his desire for new experience must be turned in this direction. Unlike the two previous cases, his past experience, his existing scale of values, do not pre-



dispose to the purchase; an entirely new interest must be cultivated. This campaign will be most successful, and will find a ready response among consumers if there is a surplus to be spent. These are the goods for which those with a margin above essentials are unconsciously looking. If these new interests come, ultimately, to express welfare to a group, there will be an expansion and elaboration of the standard of living; these elements will be written into the concept of essentials.

The best appeal of the advertisers of this group of goods is to the motives already enumerated as incentives to luxurious expenditure. As the advertising medium reaches different classes of people, the appeal will vary to connect the commodity as closely as possible with the peculiar individual interests or conditions of life of the group in question. The article must be made to symbolize what each one had hoped for, but not yet attained. The very nature of this class of goods — their newness, their lack of connection with past experience — means that they are unstandardized in quality to a very great degree. The purchaser of these goods has little idea what to expect in the way of quality. He has no past experience to guide him, no guarantee except the word of the maker or dealer that this is the best, the "right thing," accepted by the élite. Price may be his guarantee of quality. By paying the highest price, he may assume that he secures the best, and at the same time he shows his economic power, and is "extravagant" to the maximum. The possibilities of dissatisfaction with such purchases are, of course, enormous, as well as the possibilities of waste of resources. But the consumer cannot discover the cause or its remedy so long as his desires continue to be general and vague, and the real tests of quality are lacking. He may be after real values — beauty, health, or knowledge — but his attempts may be likened to a groping in the dark; it is only by chance that he secures them.

The attempt has been made to illustrate the activities of producers in directing choices and changing standards by an arbitrary classification of goods into three classes. As a matter of fact, one article may be pushed from all three sides at the same time. It may be urged upon one group of purchasers as a substitute for an old good, to another it may be presented as the best brand for its particular purpose, and to still another it may be offered as a luxury, as a means of realizing a new interest or of evidencing a superior social status. However that may be, the producer and dealer may be relied upon to utilize to the utmost whatever forces and incentives will further their own purposes, and in that way accelerate and establish more positively a tendency in any direction.

Do producers, however, promote change for the sake of change? Are they, for example, responsible for the increasing scope and tempo of fashion? The theory is often advanced, or taken for granted without argument, that radical and frequent changes in demand are to the producers' interest and that it is they who foster the changing modes in dress and other articles of consumption. The producers' responsibility for the changing styles in one commodity, that of woolen piece goods, was discussed in Chapter V. The attitude of the manufacturers as reported by the investigator quoted could scarcely be said to be favorable to frequent changes in weave and design.

The quantity of a commodity that can be produced and sold is, of course, much larger if the article must satisfy current style requirements. The lifetime of all articles subject to the sway of fashion is notoriously much shorter than it would otherwise be. They become obsolete and are discarded while still satisfactory in other respects, and a new supply must be forthcoming in the new mode. Yet this element of change in style introduces a most decided factor of risk into the producer's calculations. From the standpoint of any one producer, postponement of the time

of change and the degree of change would usually be advantageous. He might dispose completely of the stock on hand, or utilize more fully special designs, patterns, or machinery which must be discarded if the style changes. That is, having undertaken the production of certain styles, each manufacturer would retain them as long as possible in order to reap the largest possible profit from the investment.

Upon the other hand, if change is inevitable, the one who makes it first and who makes it most successfully reaps the largest profit. He who carries may find himself with unsold stock or without orders. Further, having selected a new design or pattern it is policy to push it with all conceivable force in every conceivable way that it may "go" and not prove a losing venture. Producers, then, can scarcely be said to be responsible for change nor eager for it. Individually, each regrets the serious element of risk, even of loss, that it introduces into his business, and tries to reduce it to a minimum. But, correspondingly, for the same reasons, each having manufactured or bought in anticipation of change, and change in a particular direction, does his best to promote and foster it.

Who, then, is responsible for the increasing scope and tempo of fashions; for the fact that more and more of our consumption goods must include in their bundle of necessary utilities this quality of "up-to-date-ness," must evidence the particular feature which has received current approval? The prime cause is probably the one that Ross gives when discussing the phenomenon of fashion in his "Social Psychology." The scope of fashion has spread with decreasing costs of production, with the development of inexpensive materials, with increasing ingenuity in devising imitations and substitutes, and with a rising income level. The articles which are exempt from changes in fashion are the purely utilitarian, those least adapted for show purposes and, secondly, the expensive

and the rare which cannot easily be modified or duplicated.

As wealth increases, as more and more people find themselves in possession of a surplus, as methods of production cheapen, our consumption to a greater extent must conform to the dictates of fashion. This is one of the luxuries, this attribute of "smartness," upon which the margin above essentials may be spent. The tempo of fashion varies, too, with the expensiveness of the article affected. The style cycle is decidedly longer as well as less pronounced in the case of houses and furniture than in clothing, ornaments, and accessories. The duration of the fashion cycle adjusts itself to other circumstances as well. It has unquestionably lessened as a result of improvements in communication and transportation. The life of a style seems to vary with the time required to transmit it outward to the farthest corner of the territory which acknowledges itself a servant to fashion. However, changes in fashion spread not only outward, but downward, as it were, from one social class to another. In this movement, it is not so much ease of communication as absence of class barriers, a disposition to imitate and facilities for doing so by cheap substitutes, which accelerate the rate of spread. Here again the life of the style seems to depend upon the time consumed in the downward movement. As soon as it strikes the bottom, the style collapses and a new one starts.

This suggests the nature of the phenomenon of fashion. As Ross describes it, it is a competitive, non-rational form of imitation of one's contemporaries.<sup>1</sup> Its competitive aspect differentiates it from convention, and its contemporaneous origin, from custom. It is non-rational in that it is not adopted on any basis of alleged superiority, but purely and simply in order that the user may be fashionable. The explanation of fashion involves the interpretation of two things: first, the initiation of the fashion move-

<sup>1</sup> *Social Psychology*, chap. vi.

ment, the change from one mode to another; secondly, the rapid spread, the wide adoption of a particular mode. These two movements repeated indefinitely constitute the fashion cycle.

Ross's explanation again seems to be acceptable. The origin of a new mode is in the desire to be different, to differentiate one's self from one's fellows by that which will be admired and approved by them. Obviously, only the élite, the recognized pace-setters or superiors, can successfully initiate a new fashion. They alone wish to call attention to differences: they alone will be imitated. Once they have evolved a new idea,<sup>1</sup> the process of imitation follows from the desire to be like the socially élite, and the desire not to be different or queer. What every one does, all wish to do in order not to attract unfavorable attention and comment. Once the fashion has thoroughly spread, the same impulse for differentiation starts a new movement. Once the habit of periodical change becomes established, change is expected and even desired. It is eagerly seized upon by those whose prestige depends upon it, and those who find special enjoyment in the reorganization it makes necessary. The nature of fashion limits the goods wherein it can show itself. Those which are used most publicly and to the greatest extent for display or pictorial purposes are obviously best adapted for serving the purpose of style variations. A Crusoe economy would lack, among other modern institutions, all vestiges of fashion. Upon the whole, fashion is perhaps the best example that consumption affords of mob or crowd psychology.

How do these changes in the current mode affect the standard of concept of essentials? Does this fluctuate with every movement of the fashion cycle? In the first place, it should be noted that the necessity of being in fashion

<sup>1</sup> Consumers seldom, of course, originate the idea. They merely select from those put forward by producers.



is one of the elements of most standards.<sup>1</sup> Style is one of the essential qualities of certain articles, as necessary as that clothing be warm, or a roof be waterproof. Inability to conform to the decrees of fashion would mean a feeling of restriction and imply a poverty of resources, perhaps on a par for an American family with inability to afford a light at night, or to heat more than one room. One of the luxuries indulged in as opportunity permits may be a more elaborate and exact following of the current fashions.

But do any permanent changes come into the standard as a result of these periodic changes in which most consumers indulge with at least a few commodities? Indirectly, perhaps the standard may be affected by predisposing the individual to change and inclining him to experiment with new values. But there is little evidence that through fashion changes permanent variations have been introduced into the standard. Some fortunate variations may have been hit upon and retained because of their virtues, but it was a result of chance rather than anything else. In the case of costume, for example, has the æsthetic or the hygienic quality been improved by virtue of the semi-annual change in textile and design? Fashion changes are not true experimentation with new values, nor is the adoption of a fashion a rational imitation of something presumably superior. The chances are that its place in consumption will be but temporary, and that it will be superseded by whatever is the next mode.

From a discussion of when and how the surplus is spent one is drawn inevitably to a consideration of when it will not be spent or when saving will take place. To save is simply not to spend for immediate consumption, and deductions concerning the rate and volume of saving may be drawn as corollaries from the principles which govern

<sup>1</sup> Minimum Wage Commissions recognize a certain conformity to fashion as one of the elements even in a minimum standard of living. In calculating cost of living they allow for this requirement.

expenditures for consumption. Some economists have considered that an analysis of consumption is significant, primarily, as it throws light upon the factors determining the rate of saving. The social importance of saving lies, of course, in the fact that under modern conditions savings become investments. Savings from individual incomes constitute one of the main sources of capital formation. They are to-day, however, not the only source. A large portion of the capital fund of to-day comes, as a matter of business policy, by the accumulation of surplus and reserves under the well-known principles of corporation finance. Another portion arises, banking authorities tell us, as the result of the transactions and practices of commercial banks. While all new capital comes from social income, it is not all subject to the control of individuals as consumers, and the volume is independent of the factors which may govern the spending or non-spending of individual incomes for consumption.

Saving from individual incomes falls into three rather distinct categories. First, there is saving in order to acquire those consumers' goods which call for relatively heavy expenditure. Varying sums accumulate in savings banks which will ultimately be withdrawn for such purposes as the purchase of a piano or automobile, a trip to Europe, or it may be to bring relatives from Europe to America. These are savings from the individual standpoint, and while they are being accumulated they serve as capital. In the second place, there is saving to provide for the future. The attempt is either to accumulate a lump sum for rainy day purposes, or a principal which will serve as a source of future income. The rainy day savings evidently are destined for long-deferred consumption. They will presumably be withdrawn from productive use when the expected contingency arises, and will be used for ordinary purposes during unemployment, sickness, old age, or to provide burial expenses. The accumulation to augment

one's income or to provide an income for old age or for one's children forms presumably a permanent part of the capital fund.<sup>1</sup> The third type of saving or capital formation from individual incomes is what has been called automatic or costless saving. It is unplanned saving with no particular purpose in view, saving which takes place when the surplus is so large that the individual reaches his practical spending limit upon both essentials and luxuries before it is used up.

The first type of saving mentioned, that for the purchase of future consumers' goods, needs no discussion. The individual's conduct in seeking these future ends is no different from that involved in carrying out many other interests and purposes. These values arise and acquire a place in the individual's scheme of life by the same process as do other values. The second motive that leads to saving, to provide for the future, requires more attention. It is believed that saving from this motive often is a part of the standard of living itself.<sup>2</sup> A minimum of saving may be regarded as a greater necessity than certain expenditures. Provision for possible or certain future contingencies may be an integral part of the group's concept of welfare. It may be the provision for some special future need which, for some reason, is deemed essential to self-respect and to retain the respect of others, or it may be just saving in general which is felt to be essential. If provision for the future, either in particular or in general, be indeed an essential value for the individual, it will stand high among his hierarchy of interests, and the saved fund will be the result of a definite policy which allocates a portion of the income to this purpose as to the other essential ends which compose his standard. It will be pro-

<sup>1</sup> This is the saving which is presumably most affected by the rate of interest.

<sup>2</sup> See *Journal of Political Economy*, xxviii, pp. 784-85, T. N. Carver: "Thrift and the Standard of Living."

vided for in his budget as carefully as the other requirements which must be met.

The circumstances under which a group will write this requirement of a minimum provision for future needs into its code of the necessary might be the subject of considerable speculation. It may be the by-product of a religious creed. It may be a part of the moral code, one of the prescribed virtues. It may be the product of a certain stage of industrial or institutional development. The stimulating effect of our system of individual responsibility and private property upon saving and the provision for future needs has often been emphasized.

Another situation is possible in which saving occupies a different place in the individual's scheme of life. There undoubtedly are those to whom provision for the future is in the realm of things hoped for, but not attained until a surplus is forthcoming. Saving to such a group is what might be called a luxury of the first order. If a surplus arises, the interest in saving will come to the front and claim at least part of it. Observation seems to show that saving takes place for many different purposes, some of which are regarded as necessary, others as in the class of luxuries. For example, it may be considered necessary to save for burial expenses, or to provide a fund for time of unemployment or sickness. But to accumulate for the education of children, or to provide for old age, or retirement from business, may be regarded as a mark of real affluence, and only to be indulged in if economic pressure for other purposes decreases. Savings of this latter character evidently compose a part of individually saved capital, — a rather uncertain, fluctuating supply, subject to changes of fortune and to the competition of other uses of the surplus. Probably the major portion of small savings fall in this category; they represent first a surplus and, secondly, its deliberate allocation to desirable future uses.

But saving, it has been said, takes place under a third

conjunction of circumstances unlike either of the two mentioned. It takes place when the surplus is so large that the individual reaches his practical spending limit upon both essentials and luxuries before it is used up. The remainder of the income will be automatically saved. But is this really a possible situation? Are there limits upon the individual's will and power to spend? Is not the individual a creature with a boundless number of interests and desires which seek expression and realization? Can his wants ever be sated?

If the foregoing analysis of the way the individual's consuming habits are formed be correct, there are indeed effective limits upon the individual's power and will to spend. Suppose that a surplus has accrued from a sudden increase in money income. The individual's standards of what is fundamentally necessary and requisite do not immediately and forthwith change. He may indulge to the full his personal tastes and whims, gratify his sense of economic well-being and acquire as much social distinction as expenditure alone will confer. But time, thought, and energy are necessary to make any one of these ways of expenditure really satisfactory. Lack of the requisite time and energy may interpose effective limits upon expenditure and a saved fund may accumulate quite without foresight of the event. If he has both time and energy to devote to the problem, still, lack of definite personal interests and purposes may throw him back upon the familiar method of imitating those higher in the social scale.

But suppose the increase in money income has come about either within a community where incomes and standards had been fairly equal and similar, or at the top of a highly stratified society. In neither case is there any one to imitate; there is no one whose activities and mode of living have been observed and marked as desirable. The individuals with the large surplus must work out their own



way of spending it. But if these modes of expenditure are to be satisfactory, such as the "normal" man would consider, time and thought will again be necessary. The fact is that the only way a large surplus can be spent quickly and with any degree of satisfaction is by imitation of others, either an aristocracy of birth, of money, or of culture, whatever confers distinction. The individual who is so unfortunate as to have no one to suggest to him desirable ways of spending money can only carry his expenditure upon luxuries to a certain point. He must then wait until his own education has progressed and new interests have arisen, or until profit-seeking producers, seeing his predicament, use their imagination in devising new modes of activity which will meet his needs.

If this analysis is correct, there may well be practical limits upon the individual's will and power to spend, limits which will mean the automatic accretion of an unspendable surplus to be turned back into production. This situation is quite likely to arise whenever money incomes rise rapidly, especially if the society be one where class distinctions have not been pronounced, and where display through expenditure and non-productive activities has not been well worked out. The more unequal the distribution of wealth, the more, generally speaking, will be saved. The surplus is kept out of the reach of the great majority who might easily spend it if it were divided up among them; it is concentrated in the hands of a few who reach the practical limits of their spending power before they have eaten far into the surplus. The less educated and experienced are those who command the surplus, and the more preoccupied they are with production, obviously, the less can they spend.

It is scarcely necessary to emphasize the point that no voluntary saving would take place if there were not purposes to be carried out in the future, or anticipated future needs, for which current resources would not be forth-

coming. Saving is not an aimless process of acquisition, the blind operation of a storing-up "instinct." It is a means to an end, a phase of the administration of economic resources over a period of time. Yet throughout the discussion of the process of saving, assumptions have been made as to the attitudes of individuals which involve something more than a discounting of the future and a rational calculation of future needs as the basis for their reactions. What is primarily responsible for saving as it has been described, is the fact that the groups under consideration have a history and background of self-denial, frugality, thrift, and prudence. From this come the habits and attitudes which lead to saving. For most individuals a degree of carefulness and frugality in the use of goods, a modicum of self-denial and prudence, are part of the moral code. It is wrong to waste, to take no care for the future, to indulge oneself in luxuries.

The habits, in other words, which lead to economy in consumption and to saving, are not based altogether upon conscious policy. By the exercise of these virtues we feel that we are laying up not only treasures on earth, but piling up virtues to our spiritual credit. These attitudes, these habits, are a logical outgrowth of more difficult economic conditions; they were developed and fostered by people who labored hard for a scanty stock of goods which must be husbanded with care. It is interesting to realize that the habits and attitudes which lead to capital formation were formed long before capitalism arose, before capital was an important factor in production. The attitudes and habits which result in a saving of money incomes originated long before there were money incomes to save, and before there was a financial interest involved in the operation. Society was well prepared in its consuming ideals and practices for an accumulation of wealth from money incomes for investment purposes when industry came to be organized on this basis.

Just what effect do these habits and attitudes have upon saving under modern conditions? When they are present to a high degree they constitute an important element of the group's concept of welfare, and will be a part of the standard; provision for the future will be a necessary part of an acceptable scheme of life. And even when such provision is not a necessity, but what has been called a luxury of the first order, the first claim upon surplus, the group's frugality and prudence are frequently only slightly less marked. The difference in such cases may be no more than a difference in the kind of investment chosen rather than in lack of care for the future. That is, one group may save, and another may spend in ways that make for better health, better training, and greater earning power for themselves or their children.

Finally, when the surplus is quite large, and when financial interest and economic insecurity do not demand further saving, do these habits still persist? Yes, the assumption that they did was behind the entire analysis of the practical limits upon the individual's will to spend. If there are no restraints whatever it is easy enough to spend. One might make a bonfire of banknotes, but that common sense prevents it. So it is with certain forms of luxurious expenditure. They are unsatisfactory and unreasonable because the individual's sense of economy forbids modes of activity which are not promoting the recognized interests of himself or others. The individual who has experienced a sudden, marked increase in money income is distinctly limited in his spending power by his own scruples and by his decent regard for the opinion of mankind. He cannot spend extensively unless he has either definite interests of his own with time to promote them, or a superior social class to suggest to him socially sanctioned modes of expenditure, labeled good and desirable. He cannot even give money away without soon calling in the aid of experts to investigate and plan that the results be not worse

than the burning of the banknotes. The newly rich cannot spend their money unless there is some one who has gone before to point out the way.<sup>1</sup>

<sup>1</sup> The relation of this situation to possible over-production or over-investment is obvious. The problem is, how can this capital fund which comes from a very unequal distribution of income and incapacity of the owners to spend, be invested profitably? If it goes, without improvements in technical methods which will lower the cost, into the production of the staple necessities, there may be an "over-supply." The poor cannot buy more, the rich will not. To the production of what new goods or luxuries then shall it be applied? Can the producers invent new activities and new interests which will increase the will to spend of those who are able to do so? Unless they can, over-investment will arise. See J. A. Hobson: *Evolution of Modern Capitalism*, pp. 302-76.

## CHAPTER XI

### WHAT IS A HIGH STANDARD OF LIVING?

IN the preceding three chapters the prevailing habits of consumption have been interpreted as the product of standards of living, — that is, of organized systems of values which represent what seems essential and desirable in the way of economic goods. The origin of these standards has been traced, their characteristics have been noted, their elements grouped and classified, and the process examined by which they change and develop. It was hoped that this analysis would facilitate the interpretation of economic values and throw light upon that phase of human life and conduct which we call consumption.

We are interested, however, in more than the analysis of standards of living, in more than the explanation of how and why we choose. Our interest in consumption extends beyond the most elaborate study of the statics and dynamics of our standards that could be made. We are interested in how and when we choose wisely, in what are intelligent and socially desirable modes of consumption. We are interested not only in what our standards are, but in whether they are high or low.

What is a high standard of living and how is it secured? This is the question always hovering in the background whenever any investigation of standards of living is being made. This is what we especially want to know about our own standards. In fact, we can scarcely think of standards at all without an implicit judgment as to their relative plane. Especially as we examine the standards of different times and different peoples are we ready to affix the tags of "high" or "low." And when, as in the preceding chapter, we analyze standards in the process of change, the



question is ever imminent, Is the change toward a higher or lower level?

These questions which press forward as soon as the critical examination of standards begins are practical problems. To decide what is a high standard of living is to decide what is wise consumption. Whatever differences of opinion there may be concerning the criterion of a high standard, all are agreed that a high standard is likewise the test of wise consumption. A high standard means an income wisely spent; it means economy in the broad sense of the term; it means reduction of waste. There is involved, then, in the definition of a high standard of living, direction or guidance in the making of wise consuming choices; there are involved definitions of economy, of waste, and of luxury in the sense of an undesirable expenditure. In other words, when we attempt to define a high standard we pass from the question of what *is* to the question of what *ought* to be in the realm of consumption.

Upon all sides one can gather evidence as to the importance that is almost universally ascribed to the possession of a high standard of living. Every one seems to share in the conviction that a high standard is the kind of a standard to have, and to be concerned for the individual, group, or nation whose standard is low. How frequently does the phrase "high standard of living" appear in the pages of a modern treatise as the remedy for social and economic ills, as the essential condition of social welfare! For how many individual and national ills is the explanation found in the prevailing low standard of living! A low standard is admittedly a cause of reproach and commiseration to the individual, race, or nation to whom it pertains. Correspondingly the possession of a high standard is something of which to be proud and something to be protected.

We may assume then, that whatever else it is, a high standard of living is one that promotes individual and social well-being. Every one would agree with the defini-

tion of a high standard of living as one that makes for welfare. But the objection may immediately be made that this obvious statement throws no light upon the problem. This definition furnishes no definite criterion by which to judge different modes of living. This is quite true, but it may be, nevertheless, that here lies the beginning and the end of all our wisdom. At any rate here must lie the beginning of all our reasoning and judgment-making in regard to standards. A standard is adjudged high if it means the carrying out of those ends and purposes deemed essential for individual well-being.

Economists, it is true, may approve of "high" standards of living upon other grounds than the direct results upon the welfare of consumers. A "high" standard may serve as means to some end in which the economist is interested. For example, a high standard of living lowers the birth rate; it brings into operation the preventive checks upon which Malthus dwelt. The menace of over-population is held in check by high standards of living. Again, high standards of living increase the bargaining strength of wage earners. When wages reach the level set by the standard of living, there is strong resistance to any further downward movement. The standard therefore sets a minimum for whose maintenance the utmost of bargaining strength will be put forth. Further, the economist emphasizes the fact that a high standard increases labor efficiency. The worker's alertness and strength depend upon the way he is housed, fed, and cared for. Thus a high standard becomes one of the factors determining the quantity of wealth produced. Finally, the economist points out that a high and progressive standard of living stimulates production and accelerates business activity; as the standard rises accumulated capital is absorbed and over-production prevented.

But the general interest in high standards of living is due to a direct concern with the welfare of individuals as

consumers. Their establishment and maintenance are regarded not as means to an end, but as desirable ends in themselves because of their direct effects upon modes of living. The problem of consumption is seen as the attainment of a high standard. The existence of such standards indicates that human welfare is being subserved by wealth, that the results of productive effort justify its costs, that human interests are being adequately furthered through the instrumentality of economic goods. But what exactly is this high standard? Upon what basis do we compare standards as to their highness and lowness? Are there any specific, objective tests of a high standard?

There is little doubt what is the criterion of a "high" standard as the phrase is often used. The economist, especially, ordinarily uses the term with a special meaning. The high standard is the one that compasses the greater number of needs. To raise the standard is to include new elements in the concept of essentials. The terms "higher" and "lower" are, by this definition, quantitative terms. The comparison of standards which leads to the designation of one as higher or lower is a quantitative comparison. It involves the measurement of the range and breadth of the minimum requirements. This differentiation of standards upon the basis of the scope and variety of the wants that must be satisfied, furnishes us with a definite, easily applied test of a high or a low standard. The high standard is the one that exerts the greater pressure upon economic resources, that requires the larger income to carry it out. The high standard is simply the more expensive one. This is the basis ordinarily used in judging standards of living — the size of the income which they necessitate. The American worker cannot "live" upon the wages of the Chinese; he must have a larger income to meet his requirements; therefore he has a higher standard of living.

But how does this rough-and-ready "necessary-money-income" test conform to the principle already laid down

that a high standard is one that promotes individual well-being? Does a quantitative increase in the requirements that must be met always connote a corresponding increase in welfare? In spite of the habit of judging standards roughly by the income necessary to carry them into effect and by the sheer number and variety of the elements they comprehend, there are few who would seriously maintain that a standard should be considered high purely by virtue of these quantitative comparisons. A standard adjudged high by purely quantitative criteria obviously may involve a mode of living far from desirable. An interest in welfare demands also certain qualitative tests. There must be a scrutiny of the interests held essential and a favorable judgment upon their nature as well as their number; there must be approval of the scheme of life being carried into effect before the standard can be called high. Whenever there is a deliberate attempt to raise the standard of an individual or a group, not only is the appreciation of new values sought and the inculcation of new desires, but also a discrimination among values and a selection of these "correlative with true advantage."

However, it is believed that a theory of welfare lies behind the judgment that that standard is higher which makes the greater demands upon resources, and which comprehends the larger number of essentials. There is a reason for our association of a high standard with a large and varied number of interests and purposes; there is a doctrine of welfare inherent in this purely quantitative concept. The fact is that our modern views of what is necessary for individual and social well-being cannot be carried out without considerable pressure upon economic resources. A wide range of interests and desires signifies to us an all-round development; it indicates that fullness and completeness of life which is held to-day to be highly desirable. The simple life is largely an ideal of the past. Our ideas of what is essential for a high state of well-being have been

expanding, and the standard of necessary economic values has been raised with them. We would say, for example, that only a very low standard — low, that is, from the welfare standpoint — could be maintained in a modern industrial city upon an income of one thousand dollars per year. We are certain that such an income could not provide adequately for some essential interests — health, education, recreation, insurance.

There are, then, certain quantitative tests which can properly be applied to a standard in judging it high or low. The scope and variety of interests which it comprehends must be such that no interest or purpose important for welfare is omitted. Speaking generally, we are not likely to be far wrong when we call the more expensive standard the higher standard from the standpoint of welfare. The chances are that it is, especially if both standards compared call for incomes rather low down in the scale.

There are other reasons, however, besides the implicit doctrine of welfare, for the general agreement in identifying the high standard with the most expensive one, or the one with the highest quantitative requirements. In the first place, quantitative differences are easy to discover and to measure. There is no opportunity for difference of opinion if the judgment of the standard is placed upon an income basis. When the differences between standards are qualitative, however, the problem of discriminating between them, and passing judgment upon them, is an extremely difficult one. There is possibility of wide differences in opinion.

Economists, especially, have been loath to pass judgment upon standards from the qualitative angle. Further, they have considered it unnecessary. A standard has economic significance if it is relatively difficult to attain, that is, requires a high money income. This is the circumstance in regard to standards which is significant for population and for wage theory. It is the standard that is high



and progressive in the sense that it is difficult to attain, which stimulates economic activity. The motive power for productive activities depends upon the height of existing standards purely in quantitative and cost-of-attainment terms. A people too easily contented, with standards exerting little pressure upon resources, are, obviously, little inclined to develop industrially or to strive for an increase in material wealth.

The standard of living, in order to be adjudged high, must then meet certain quantitative tests as to the completeness with which it covers all the interests essential to the welfare of the consumer. But it was said that these were not the only tests to be applied. Qualitatively also it must promote individual well-being. The scheme of life reflected by the modes of consumption must be examined, and if it meets the test of human intelligence and knowledge applied objectively, then we may say this is a high standard. A low standard quantitatively is one that omits some important interest; it is judged upon the basis of what is not there. A low standard qualitatively is one that includes some unimportant or positively harmful elements; it is judged by what is there. But how can any specific objective tests of such standards be formulated? How can it be said with readiness and certainty which standards are low and which high, if we leave the definite criterion of necessary money income and bring in these other considerations?

The answer is that in so far as the problem is qualitative no definite, objective tests can be formulated. The problem becomes largely an ethical one, the problem of what makes for welfare, what ends should be sought, what scheme of life is best. The analysis of standards involves merely the question of what *is*; their judgment involves the question of what *ought* to be. One cannot formulate the principles which ought to govern consumption without getting over into very complex problems indeed. Wise consumption

means nothing less than wise living. A high standard of consumption is nothing less than a high sense of what is worth while doing and having and being in life. As Davenport has said, "The consumption of wealth is inextricably interwoven with the most perplexing problems of living. It includes, indeed, the whole science of living and dying. . . . Appeal must be made to physiology and biology as well as to ethics and religion for aid in the solution of these problems. What, for example, is the test, or what are the tests, of right living? In what aspects is life worth living and why and when? What things in human nature are best to be fed and what best starved?"<sup>1</sup>

No absolute definition of a high standard of living can, then, be made; there is no certain and unmistakable test that can be applied. This does not mean, however, that our ideas concerning what constitutes a high standard need be indefinite, hazy, and vague. If such were the case, human beings would be constantly in a state of vacillation between different interests and purposes, between activity and inactivity. They would have no established sense of values; they could neither order their own lives according to any plan, nor pass judgment upon the mode of living of others. As it is, we have quite pronounced ideas as to the desirability of different standards; we have very clear-cut and definite ideas of what are the proper ends to seek and proper scheme of life to carry into effect. A tentative working concept of what constitutes a high standard is necessary in order that we may take an active part in the world about us. This tentative concept is the product of our experience, and, while subject to change and revision, is always available to furnish the basis for judgment when two different standards are in question.

We have not only a working concept of what represents a high standard, but also a fairly clear idea of what constitutes the lowest level at which it is tolerable that human

<sup>1</sup> H. J. Davenport: *Outlines of Economics* (1896), p. 330.

life should be carried on. It is with this standard that we judge the adequacy of the expenditures shown by studies of working-class budgets. It is to this standard that we appeal in behalf of minimum wage legislation, and it is this concept of what constitutes the minimum requirements that is applied when orders are issued by minimum wage boards. It might even be argued that for these minimum requirements representing the lowest tolerable level of living, we have now definite, objective criteria. Especially in the case of nutrition and the preservation of health can we set up absolute measurements, and draw up concrete specifications to govern consumption.

Can any rules, then, be formulated to aid in the attainment of a high standard? What is the solution of the practical problem of making wise choices? If it is true that the art of consumption includes the whole art of living and of dying, there is no lack of instructions and admonitions in regard to how it should be done. No other subject has, perhaps, so broad a literature. But how are all the suggestions garnered from so many sources to be applied to the concrete problems which the whole process of consumption presents? In what ways can wisdom in consumption be secured, and a high standard of living established? It is believed that the attainment and successful expression of a high standard of living are the product of a number of fairly definite circumstances. Consumption will cease to be a backward art and will begin to show improvement as these conditions are appreciated and policy shaped in accordance with them.

The first prerequisite for progress in standards of consumption is, it is believed, a critical analysis of existing standards. A necessary preliminary to the raising of our standards is a survey, as objective as we can make it, of existing concepts of what is desirable and essential, of how our present standards came to be and what values constitute a part of them. This is the business of human

intelligence — to criticize and to remake human valuations. Our valuations come to us in large part ready-made; our attitudes and reactions follow established behavior patterns. But life upon the level of intelligence means that we examine and, if necessary, remake our valuations. This is the scientific spirit applied to life; this is scientific knowledge and human experience applied directly to the problems of living. There is no doubt that many values now well entrenched in our standards would disappear in the course of this critical analysis. They have so little rational basis and they are fundamentally so "wasteful" that they cannot stand the light of impartial inquiry into their source. They shrivel up and die as soon as the dissecting scalpel touches them. A decided step toward economy and elimination of waste will, then, be taken when we are ready to scrutinize our standards and see whence they have come and of what they are made. Old values inevitably disappear in the process, and new values appear upon the horizon.

The second step toward greater wisdom in consumption and toward the establishment of a high standard follows closely upon the first. It is the formulation with some degree of precision of the ends which are sought and the scheme of life to be carried into effect. It is in this connection that recourse must be had to the best advice we can get upon the whole art of living from sages of the past and present. What interests and activities are worth while? It is in making this decision that the consumer as such has always been weak. He has scarcely attacked this his most difficult problem, the setting up of definite ends to be pursued.

Some economists have attempted to assist the consumer in this difficult problem of deciding toward what ultimate end he shall order his consumption. Carver, for example, suggests increase in the consumer's productive efficiency as the end and aim to be set for consumption. A rational

standard of consumption he defines as "one which increases the margin between production and consumption."<sup>1</sup> Every rational or desirable expenditure by this criterion is an investment designed to yield a future return in income. Luxuries, or wasteful expenditures, are those consumers' goods which do not increase the user's productivity. There is no doubt that "increase in working efficiency" should be included as one of the ends to be promoted through expenditure and the material mode of living. It is an end, moreover, that economists might be expected to emphasize through their keen realization of the importance for welfare of total wealth production. Whether it is the sole or major end to be served by consumption is another question. The question is inevitable — Why is an increase in production so desirable, if the wealth turned out serve no other purpose than to make its user a better wealth producer? If consumption is to be only a means to greater production, is production, then, an end in itself?

To raise the standard qualitatively, then, we must eliminate false values and establish new ideals and purposes. To accomplish this the critical analysis of existing standards and the attempt at deliberate formulation of the ends to be promoted through consumption were suggested. But to attain a high standard quantitatively other conditions are necessary. In order to make provision for a broad range of interests, to provide diversity and completeness in modes of individual expression, there must be abundant opportunity of choice. The consumer must have not only formal freedom of choice, but positive freedom in the form of adequate income and a wide variety of goods and services upon the market.

The necessity of formal freedom for each consuming unit does not require extensive argument. We are pretty well committed to the policy of *laissez-faire* in consump-

<sup>1</sup> T. N. Carver: *Principles of Political Economy*, p. 6.



tion so far as absence of external restraint or coercion is concerned. "Forcible feeding" would scarcely seem to be the way to promote high standards of consumption. Freedom of consumption is as well-established a principle as freedom of conscience. There is only a modicum of legal regulation either of religious belief and observance or of consumption. True, in both cases there exists at times almost a passion for propaganda, but the sanctions by which converts are won must be other than force. The setting of higher standards must be a development in which the individual participates, experimenting and learning, with formal freedom to subscribe to new doctrine or reject it as he wishes.

But negative freedom of choice is only a preliminary condition to an advance in standards, to learning wisdom in consumption. If we would broaden and elevate the individual's standards, there is no more certain method than to give him a wide field of choice, to put him in touch with greater opportunities from which to choose. Quantitatively his standard cannot expand unless he has a larger income or greater command over economic resources. The rise in the standards of living throughout the western industrial countries in the eighteenth and nineteenth centuries was due very largely to this single cause. The cherished American standard of living was the product of opportunity for choice, in the form of larger incomes, new goods, and lower costs. The technical processes of production and the distribution of income touch consumption just here. They determine quantitatively just how high the standard shall be, how broad the uses of wealth, and how varied and comprehensive the human purposes and interests shown in consumption.

Another phase of this problem of securing high standards of consumption must not be overlooked or neglected. This is the practical problem of making concrete choices of particular goods. The actual mode of living reflects not

only the worthiness of the ends sought, the adequacy of the income, the productiveness of industrial processes, but also the consumer's knowledge of what is best in quality and appropriate in quantity in the case of each economic good. It reflects also his skill in the art of expenditure and in dealing with market agencies. The consumer must have knowledge and must have training in order to obtain satisfactory results.

Moreover, this knowledge of what is best in quality and appropriate in quantity in each consumers' good, and this skill in expenditure and marketing, are not part of the native endowment of man. The instruments which are suitable for carrying out our various interests and purposes are matters for scientific determination or expert judgment. It is upon the testimony of experts that we ascertain what is a satisfactory diet, a healthful regimen, pleasing architecture, artistic decoration, suitable recreation, and adequate insurance. Just as we call in a physician and obtain a prescription before we buy drugs, we need information as to what is best in quality and appropriate in quantity in the case of each consumers' good. For this service many consumers rely upon advertisements and the statements of dealers. Information and advice may well be furnished by these agencies, but, obviously, they should be checked and supplemented by independent and neutral standards. Other purchasers rely upon their own untrained tastes, or choose blindly from the depths of their ignorance, or by some simple logic which may be entirely misleading. The ridiculous or tragic results are all about us.

There is also a technique of expenditure and of marketing to be mastered by those who have the practical problem of carrying the standard into effect. Economy depends upon the proper allocation of the income among various purposes, and the skillful handling of all the problems involved in budget making and the carrying out of budgetary policy. The successful purchaser, too, is familiar with

the organization of the market, knows the different types of establishments, the services each is designed to render, and their respective cost. This is but a suggestion of a department of knowledge with which under our economic organization it is necessary for the consumer to be in touch, if he would have his consumption as free as possible from blunders and waste.

In view of the time, information, and skill that is necessary in order to avoid waste and carry out high standards of consumption, it seems well that the organization of consumption has become so largely the specialized task of one group, the women who are heads of households. The consuming unit is ordinarily not an individual but a household, just as the standard of living is a concept of proper family life, not that of an isolated individual. The expenditure, the purchasing, the direction of the consumption of this unit is usually the function of the woman at its head. The nature of the service she is rendering and its importance have not been completely realized either by women themselves or by others. The assumption has frequently been that with the departure of the household arts women lost their economic function; and if they remained within the household, became parasites upon the economic order. While the extension of an ideal of ladyhood as the proper status for women has tended in this direction, what has really happened in the main is a new division of labor between men and women. The welfare of the household depends upon the efficiency of both in their respective fields. A clear recognition of the nature and importance of the task at present assigned to women should have marked results upon their practical training.

Finally, shall it not be said that a high standard of living must be a dynamic, a progressive standard? It should have within it that which makes for change, and there should be opportunity and freedom for experimentation in values. This means that in the interest of consump-

tion there is a demand upon economic resources for a margin or surplus above essentials from which may be built the standards of the future. We are told that such a surplus cannot exist unless it accrues in the hands of a favored few by virtue of inequality in the distribution of income. This, it is said, is one of the advantages of inequality, that it permits an experimentation in activities and modes of living which would be impossible if the surplus were widely scattered. As a result, an expansion and elaboration of standards of living take place, which, although for a time the exclusive possession of the privileged few, may, as economic resources expand, be taken over by the many. Our culture, our civilization as shown in consumption, are thus the product of the rich. They would never have developed except for the arbitrary selection of a small group to carry on the process.

Be that as it may, expansion of standards comes in the main through an experimental process in the spending of a surplus. It is certain that only those who have this margin and can carry on this process feel a sense of economic well-being and of real freedom. They alone have luxuries in the sense of non-essentials. A dynamic standard necessitates expenditure upon luxuries; only through such experiment can growth in values come. What must be guarded against in the spending of a surplus is its disbursement in an irrational imitation of the mode of living of a class of a high social grade, or in other ways requiring no time or thought. If instead, this expenditure is the expression of individual interests and tastes, native or acquired, if it is the tentative reaching out of new impulses for realization through economic goods, there is hope that the direction of the developing standard will be toward a higher level of human life.





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